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FARM CREDIT ADMINISTRATION

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE



EIGHTY-SIXTH CONGRESS

FIRST SESSION

ON

S. 1512

A BILL TO AMEND THE FEDERAL FARM LOAN ACT TO
TRANSFER RESPONSIBILITY FOR MAKING APPRAISALS
FROM THE FARM CREDIT ADMINISTRATION TO THE FED-
ERAL LAND BANKS, AND FOR OTHER PURPOSES

S. 1513

A BILL TO CLARIFY THE STATUS OF THE FEDERAL LAND
BANKS, THE FEDERAL INTERMEDIATE CREDIT BANKS,
AND THE BANKS FOR COOPERATIVES AND THEIR OFFI-
CERS AND EMPLOYEES WITH RESPECT TO CERTAIN LAWS
APPLICABLE GENERALLY TO THE UNITED STATES AND ITS
OFFICERS AND EMPLOYEES, AND FOR OTHER PURPOSES

APRIL 8 AND 20, 1959

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FARM CREDIT ADMINISTRATION

WEDNESDAY, APRIL 8, 1959

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL CREDIT AND
RURAL ELECTRIFICATION OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:07 o'clock a. m., in room 324, Old Senate Office Building, Hon. Spessard L. Holland presiding.

Present: Senators Holland, Talmadge, Young of Ohio, and Williams.

Also present: Senator Jordan and Senator Young of North Dakota.

Senator HOLLAND. The subcommittee will please come to order.

This hearing is called on two Senate bills, S. 1512 and S. 1513, both introduced by the chairman of the committee, Mr. Ellender, for himself and Mr. Aiken, by request. I understand that the bills are requested by the Farm Credit Administration governing body, and the subcommittee has been glad to set this hearing this morning while the Farm Credit Administration meeting is in progress or while the personnel are here, so that they can be heard at this time.

There will be no end of the hearing at this time, due to the fact that others may wish to be heard.

I ask, first that the two bills and the letters requesting their enactment be incorporated into the record.

(The bills and letters referred to are as follows:)

[S. 1512, 86th Cong., 1st sess.]

A BILL To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Federal Farm Loan Act, as amended, is amended—

(a) by changing the paragraph thereof relating to the appointment of registrars, appraisers, and examiners (12 U.S.C. 656) to read:

"The Farm Credit Administration shall appoint a farm loan registrar for each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint as many farm credit appraisers and farm credit examiners as it shall deem necessary. Such farm loan registrars, deputy registrars, farm credit appraisers, and farm credit examiners shall have no connection with or interest in any institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: *Provided*, That this

limitation shall not apply to persons employed by the Farm Credit Administration on a temporary basis.”;

(b) by deleting the paragraph thereof relating to the compensation of appraisers and inspectors (12 U.S.C. 658) ;

(c) by deleting the paragraph thereof relating to the employment of certain personnel by the Farm Credit Administration (12 U.S.C. 659) ; and

(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

SEC. 2. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read :

“Any person desiring to secure a loan through a national farm loan association under the provisions of this Act may, at its option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act.”

(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751-757), is amended to read :

“SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal investigation and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

“(b) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

“(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.

“(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.

“(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

“(f) Notwithstanding the foregoing provisions of this section—

“(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans ;

“(2) the Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act ; and

“(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

“(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve.”

SEC. 3. On the effective date of this Act each land bank appraiser shall be transferred from the Farm Credit Administration to the Federal land bank served by him immediately prior to said effective date, without reduction in salary and accumulated leave, unless the Farm Credit Administration, in its discretion, determines that individual appraisers shall be retained as farm credit appraisers. The selection of personnel for transfer, or for retention as farm credit appraisers, shall be without regard to section 12 of the Veterans' Preference Act of 1944, as amended. Land bank appraisers shall be subject to the same employment conditions as other bank employees after transfer under this section. At least sixty days prior to the effective date of this Act the Farm Credit Administration shall notify each land bank appraiser that he is to be transferred to a Federal land bank or that he is to be retained in the Farm Credit Administration. Any land bank appraiser who notifies the Farm Credit Administration in writing at least thirty days before the effective date of this Act that he does not desire to accept employment as stated in the notice from the Farm Credit Administration shall be separated from employment on said effective date and such separation shall be deemed involuntary.

SEC. 4. (a) Section 12 of the Federal Farm Loan Act, as amended (12 U.S.C. 771), is amended by (1) changing the last proviso of paragraph second thereof to read: “*And provided further*, That any land bank may make loans on an unamortized basis, or partially amortized basis under rules and regulations issued by the Farm Credit Administration.”; (2) deleting paragraph third thereof; (3) striking out of paragraph seventh thereof “Loans to any one borrower shall in no case exceed a maximum of \$200,000, but”; and (4) striking out of the first and second sentences of paragraph ninth thereof “a rate not exceeding 6 per centum per annum” and inserting in lieu thereof “a rate approved by the Farm Credit Administration”.

(b) Section 20 of the Federal Farm Loan Act, as amended (12 U.S.C. 861), is amended by deleting the second sentence thereof.

(c) The first and second sentences of section 23 of the Federal Farm Loan Act, as amended (12 U.S.C. 901), are amended by substituting “at the end of each fiscal year” for “semiannually” therein.

(d) The first and second sentences of section 24 of the Federal Farm Loan Act, as amended (12 U.S.C. 911), are amended by substituting “at the end of each fiscal year” for “semiannually” therein.

(e) The fifth paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 965), is amended to read: “No Federal land bank association or Federal land bank shall go into voluntary liquidation without the written consent of the Farm Credit Administration, but the Farm Credit Administration may permit or by order effect the merger or consolidation of two or more contiguous Federal land bank associations subject to such terms, conditions, and provisions as the Farm Credit Administration in its discretion determines to be fair and equitable.”

(f) The seventh paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 967), is amended by changing “land bank appraiser” in the second and third sentences thereof to “farm credit appraiser”.

(g) Section 202(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1033), is amended by changing the period at the end thereof to a comma and adding the following: "and any Federal intermediate credit bank may in its discretion purchase such loans or discounts with or without such endorsement."

(h) Section 208(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1093), is amended by changing "Land bank appraisers" in the first sentence thereof to "Farm credit appraisers".

(i) The Federal Farm Loan Act, as amended (12 U.S.C. 641 and the following), and any other Act of Congress in which the words appear, are amended by changing "national farm loan association" and "national farm loan associations" to "Federal land bank association" and "Federal land bank associations", respectively.

(j) The Federal Farm Loan Act, as amended (12 U.S.C. 641 and the following), and any other Act of Congress in which the words appear, are amended by changing "secretary-treasurer" and "secretary-treasurers," when used to mean the secretary-treasurer of a national farm loan association (herein renamed "Federal land bank association"), to "manager" and "managers", respectively.

(k) Section 23 of the Farm Credit Act of 1933, as amended (12 U.S.C. 1131g), is amended by inserting as the second sentence thereof the following: "Such loans shall bear such rates of interest as are authorized from time to time by the Federal intermediate credit bank of the district."

(l) This Act shall become effective December 31, 1959.

FARM CREDIT ADMINISTRATION,
Washington, D.C., March 13, 1959.

The Honorable the PRESIDENT OF THE SENATE,
U.S. Senate.

DEAR MR. PRESIDENT: There is enclosed a proposed bill entitled "A bill to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes."

The primary purpose of the proposed bill is to transfer from the Farm Credit Administration to the Federal land banks the responsibility for making appraisals of farm properties offered as security for land bank loans. A step in this direction was taken upon enactment of the Farm Credit Act of 1955 authorizing the so-called designee appraisal program of the land banks. Prior to enactment of the 1955 act, a Federal land bank could not make a loan until the security had been appraised by a land bank appraiser employed by the Farm Credit Administration, a Federal agency responsible for supervision of the Federal land bank system. Under the designee appraisal program authorized by the 1955 act, a bank, with the approval of the Farm Credit Administration, may make a loan on the basis of an appraisal by a person designated by the land bank for that purpose. Generally, the person so designated is secretary-treasurer of the local national farm loan association (renamed in the bill "manager" and "Federal land bank association," respectively). Loans so made may be used as collateral for farm loan bonds but a written report on the security by a land bank appraiser must be obtained within 1 year after the loan is made. Thereafter, the loan cannot be carried as bond collateral for more than 65 percent of the normal value of the security as established by such land bank appraiser. Furthermore, any such loan may no longer be carried as bond collateral in any amount unless the report of the land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan.

Under the term of the bill, the land banks would make loans on the basis of appraisals by persons appointed or designated by the banks for that purpose. The Farm Credit Administration, however, would continue to establish appraisal standards for land bank loans and review the work of the appraisers appointed or designated by a bank to the extent necessary to assure compliance with such standards. If the security for any loan did not meet the prescribed standards, the loan could not be credited as bond collateral except in such amount as the Farm Credit Administration might approve. The Farm Credit Administration would also be authorized to withdraw from a land bank responsibility for making appraisals and appraisal standards studies in any district where, for example, the bank fails to maintain the prescribed quality of appraisals. The bill would leave unchanged the provisions of existing law which limit land bank

loans to 65 percent of the appraised normal value of the security for the loan.

The Federal land banks have been engaged in the farm loan business for more than 40 years. It is our belief that the banks have now gained enough experience in sound lending practices to assume the responsibility for making appraisals as a part of their management function. Thus, the proposed bill is another step toward complete implementation of the policy of the Farm Credit Act of 1953 to encourage and facilitate increased borrower participation in the management of the banks and local associations.

The bill also contains a few other amendments to farm credit laws, the most important of which would remove (i) the statutory 5- and 6-percent interest rate limitations now applicable to farm loan bonds and Federal land bank loans, respectively, and (ii) the \$200,000 maximum loan limit applicable to land bank loans.

The Federal land banks obtain most of their loan funds from the sale of consolidated farm loan bonds to the investing public. Before interest rates began to decline the latter part of 1957, interest rates on these bonds almost reached the legal limit of 5 percent. Although we have no reason to believe that interest rates will return to or exceed their 1957 level, it would seem prudent to guard against any possibility that the banks would not be able to sell their bonds to obtain the necessary funds to meet the credit requirements of farmers. Since the spread between what the banks have to pay for their loan funds and the interest rates they charge farmers must be sufficient to cover at least the cost of their funds and operating expenses, it is also necessary to remove the present 6-percent interest rate limit applicable to loans made by the land banks. The bill would not, however, disturb other provisions of law under which interest rates generally are subject to approval by the Farm Credit Administration.

The proposed removal of the \$200,000 limit on land bank loans to any one borrower is based on the desire of the banks also to serve the constantly increasing number of larger farms. With the increase in mechanization of agriculture, farms are becoming larger and the total investment per farm is constantly increasing. The banks are unable to serve many of these farms, particularly in timber farming areas because their credit requirements exceed the maximum loan limit. The bill would not, however, change the present provision of law under which loans exceeding \$100,000 must be approved by the Farm Credit Administration. While the experience of the land banks in making loans to large operators has been good, continued approval of loans exceeding \$100,000 by the Farm Credit Administration should afford adequate protection against any possible abuse of this authority. Also, the bill does not change the present requirement that no loan may exceed 65 percent of the normal appraised value of the farm offered as security.

Section 1 of the bill would amend section 3 of the Federal Farm Loan Act to limit the authority of the Farm Credit Administration to the appointment of appraisers who would be called farm credit appraisers and whose primary responsibilities would be to establish appraisal standards, to determine compliance with those standards through review of the work of appraisers designated or appointed by the land banks, and to investigate the quality of first mortgages securing farm loan bonds. This section of the bill would also repeal certain obsolete provisions of the Federal Farm Loan Act.

Section 2 of the bill contains the principal provisions of the new appraisal plan. This section would amend section 10 of the Federal Farm Loan Act in the following important respects:

(1) The loan committee of the local Federal land bank association (as renamed), which makes a report on each loan application filed with the association, would obtain a report on the security by an appraiser designated or appointed by the land bank. Under present law, the loan committee utilizes a land bank appraiser appointed by the Farm Credit Administration or a person designated by the bank under a designee program approved by the Farm Credit Administration.

(2) The land bank would be authorized to make a loan on the basis of an appraisal by a person designated or appointed by the bank. Under present law, the appraisal must be made by a land bank appraiser or by a person designated by the bank under a designee program approved by the Farm Credit Administration. The present requirement under the designee program for a second appraisal by a land bank appraiser would no longer apply and, instead, there would be a review of appraisals by appraisers appointed by the Farm Credit Administration rather than a complete reappraisal in every case.

(3) Appraisers designated or appointed by the land bank would be required to make their appraisals in accordance with standards prescribed by the Farm Credit Administration. Thus, the Farm Credit Administration would establish standards to be followed by appraisers for the banks in the same way as it now establishes standards for land bank appraisers appointed by it.

(4) Each Federal land bank would be responsible for making such studies as are necessary to enable the Farm Credit Administration to establish appraisal standards for the district.

(5) The Farm Credit Administration would be authorized in its discretion to direct or require that any or all appraisals or appraisal standards studies be made by appraisers appointed by it under the authority of section 1 of the bill. If the Farm Credit Administration should impose such a requirement on any bank, it would be authorized to employ additional appraisers (including those designated or appointed by the banks) for that purpose and require the bank to pay the cost of such appraisers.

(6) Appraisers appointed by the Farm Credit Administration would be responsible for making reviews and investigations concerning compliance with appraisal standards and the quality of first mortgages securing farm loan bonds. Any first mortgage which did not conform to the appraisal and loan standards prescribed by the Farm Credit Administration would not be credited as collateral for bonds except in such amount as the Farm Credit Administration might approve.

Section 3 of the bill would provide for the transfer from the Farm Credit Administration to the banks of present land bank appraisers who are not selected as farm credit appraisers under the authority of section 1 of the bill. Thus, all land bank appraisers employed by the Farm Credit Administration on the effective date of the legislation would either be transferred to the bank of the district in which they are now assigned or they would be continued in the employment of the Farm Credit Administration as appraisers for work in connection with the supervisory responsibility of the Farm Credit Administration under the new appraisal plan. However, any appraiser who elects not to accept employment with the Farm Credit Administration or the bank would be regarded as involuntarily separated from the Farm Credit Administration.

Section 4 of the bill contains several other amendments, most of which are of a minor nature. Subsection (a) would (i) authorize the land banks, subject to rules and regulations issued by the Farm Credit Administration, to make loans on an unamortized or partially amortized basis, (ii) remove the present \$200,000 limitation on land bank loans to any one borrower, and (iii) remove the 6-percent interest rate limitation applicable to land bank loans. Subsection (b) would also remove the 5-percent limitation applicable to interest rates paid on farm loan bonds issued by the land banks. The remaining provisions of section 4 contain either changes in name or perfecting and clarifying amendments considered necessary for effective administration of farm credit laws.

This submission has the approval of the Federal Farm Credit Board and early consideration and enactment of the proposed bill is recommended.

The Bureau of the Budget advises that there is no objection to the presentation of this proposal for the consideration of the Congress.

Very truly yours,

R. B. TOOTELL, *Governor.*

[S. 1513, 86th Cong., 1st sess.]

A BILL To clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law, and in order to encourage and facilitate increased borrower participation in the management and control of institutions operating under the supervision of the Farm Credit Administration in accordance with the policy declared in section 2 of the Farm Credit Act of 1953 (12 U.S.C., Supp. IV, 636a), section 6 of the Farm Credit Act of 1937, as amended (12 U.S.C. 6401), is amended as follows:

(a) By inserting "(a)" immediately following "Sec. 6.", by redesignating subsections "(a)" and "(b)" as paragraphs "(1)" and "(2)", respectively, and by deleting subsection "(c)".

(b) By adding the following at the end of paragraph (1) of subsection (a) thereof (as redesignated herein): "The employment, compensation, leave, retire-

ment (except as provided in subsection (e) hereof), hours of duty, and all other conditions of employment of such joint officers and employees employed by the district farm credit board, and of separate officers and employees of the Federal land bank, Federal intermediate credit bank, and bank for cooperatives of the district employed by the board of directors of such banks, shall be determined by the respective boards without regard to the laws from which exemption is granted in this section, but all such determinations shall be consistent with the laws under which such banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The district farm credit board shall, under rules and regulations prescribed by the Farm Credit Administration, provide for veterans' preference and limitations against political activity for such officers and employees substantially similar to the preference and limitations to which such officers and employees were subject upon enactment of this sentence."

(c) By adding the following new subsections after subsection (a) thereof (as redesignated herein) :

"(b) The provisions of section 1753 of the Revised Statutes (5 U.S.C. 631) and the Act of January 16, 1883, entitled 'An Act to regulate and improve the civil service of the United States', as amended (22 Stat. 403; 5 U.S.C. 632 and the following), any laws supplementary thereto, including but not limited to the Act of August 24, 1912, as amended (5 U.S.C. 652), section 1 of the Act of November 26, 1940, as amended (5 U.S.C. 631a), and section 1310 of the Supplemental Appropriation Act, 1952, as amended (5 U.S.C. 43, note), and any rules, orders, or regulations promulgated for carrying such Acts or laws into effect, shall not apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(c) The Federal Employees' Compensation Act, as amended (5 U.S.C., ch. 15), shall not be applicable in respect to the injury, disability, or death of any employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives unless such injury, disability, or death (or cause thereof) occurred before January 1, 1960.

"(d) Section 9 of the Hatch Act, as amended (5 U.S.C. 118i), and the Veterans' Preference Act of 1944, as amended (5 U.S.C. 851-869), shall not be deemed to apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(e) Each officer and employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended (5 U.S.C., Supp. IV, ch. 30), shall continue so during his continuance as an officer or employee of any such banks without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such banks after December 31, 1959, shall not be covered under the civil service retirement system by reason of such employment, except that (1) a person who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any such banks without break in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of such banks and, after a break in such employment, again becomes an officer or employee of any such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

"(f) In addition to such amounts as they are required to contribute to the civil service retirement and disability fund under section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C., Supp. IV, 2254(a)), each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall, for each fiscal year after June 30, 1960, pay to the Farm Credit Administration to be covered into the Treasury as miscellaneous receipts, its fair portion of the cost of administration of said fund as determined in annual billings by the Civil Service Commission.

"(g) Any Federal land bank, Federal intermediate credit bank, or bank for cooperatives may, subject to the approval of the Farm Credit Administration, establish a retirement system for its officers and employees either separately or jointly with any other corporation under the supervision of the Farm Credit

Administration. In determining eligibility for or the amount of any benefit under any such retirement system, there shall not be taken into account any service which is creditable under the Civil Service Retirement Act, as amended, but service which constitutes employment as defined in section 210(a) of the Social Security Act, as amended (42 U.S.C., Supp. IV, 410(a)), may be so taken into account notwithstanding section 115 of the Social Security Amendments of 1954 (42 U.S.C., Supp. IV, 410, note) or any other provision of law.

"(h) Subsections (b), (c), (d), (e), (f), and (g) of this section shall apply to the Central Bank for Cooperatives and its personnel and the board of directors of the Central Bank for Cooperatives shall have all the authority and responsibility with respect to personnel of such Central Bank as is vested in the farm credit board of a district or the board of directors of a district bank for cooperatives with respect to personnel of any such district bank under subsection (a) (1) of this section."

SEC. 2. (a) Section 210(a) (6) (B) (ii) of title II of the Social Security Act, as amended (42 U.S.C., Supp. IV, 410(a) (6) (B) (ii)), and section 3121(b) (6) (B) (ii) of the Internal Revenue Code of 1954, as amended (26 U.S.C., Supp. IV, 3121(b) (6) (B) (ii)), are each amended by inserting "a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives," immediately before the words "a national farm loan association" therein.

(b) Section 2680 of title 28, United States Code, is amended by adding at the end thereof the following new subsection:

"(n) Any claim arising from the activities of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives."

(c) Section 102(b) of the Federal Employees Pay Act of 1945, as amended (5 U.S.C. 902(b)), is amended by striking out "and" immediately preceding "(6)" therein and by inserting before the period at the end thereof "; and (7) officers and employees of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives".

(d) Section 303 of the Government Employees' Incentive Awards Act (5 U.S.C., Supp. IV, 2122) is amended by inserting within the parentheses after the words "the Tennessee Valley Authority" the words "or the Central Bank for Cooperatives".

(e) Section 205(e) of the Annual and Sick Leave Act of 1951, as added by section 4(b) of the Act of July 2, 1953 (5 U.S.C., Supp. IV, 2064(e)), and section 1 of the Act of December 21, 1944, as amended by section 4(a) of the Act of July 2, 1953 (5 U.S.C., Supp. IV, 61b), are each amended by substituting "(C), (H), or (I)" for "(C) or (H)" therein.

SEC. 3. (a) Nothing in this Act shall be deemed to amend, alter, repeal, or restrict the application of (1) section 190 of the Revised Statutes (5 U.S.C. 99), relating to the prosecution of claims against the United States by former employees; (2) the Act of August 26, 1950 (5 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and separation of employees for security reasons; (3) section 710(e) of the Defense Production Act of 1950, as amended (50 U.S.C., App., Supp. IV, 2160(e)), relating to the authority of the President to provide for an executive reserve training program; or (4) any Act of Congress the violation of which is punishable by a fine or imprisonment, or both.

(b) Any Act of Congress enacted after the effective date of this Act and which states that it shall be applicable to agencies or instrumentalities of the United States or to corporations controlled or owned, in whole or in part, by the United States, or to officers and employees of the United States or such agencies or instrumentalities or corporations, shall not be applicable to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees unless such Act specifically so provides by naming such banks.

(c) This Act shall become effective January 1, 1960.

FARM CREDIT ADMINISTRATION,
Washington, D.C., March 13, 1959.

The Honorable the PRESIDENT OF THE SENATE,
U.S. Senate.

DEAR MR. PRESIDENT: There is enclosed a proposed bill entitled "A bill to clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees, and for other purposes."

This proposed bill embodies recommendations made by the Federal Farm Credit Board under the heading "District Personnel" in its special report to the Congress on December 8, 1954 (S. Doc. 7, 84th Cong., 1st sess.). That report was submitted in compliance with section 2 of the Farm Credit Act of 1953, which provides as follows:

"It is declared to be the policy of the Congress to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership of the permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration, and the provisions of this act shall be construed in keeping with this policy. The Federal Farm Credit Board hereinafter provided for shall within 1 year after appointment make recommendations to the Congress of means, supplemental to those provided by this act, of carrying into effect such declared policy, including, but not limited to, means of increasing borrower participation in ownership of the Federal farm credit system to the end that the investment of the United States in the Federal intermediate credit banks, production credit corporations, central bank for cooperatives, and regional banks for cooperatives may be retired."

The recommendations of the Federal Board with respect to the banks for cooperatives and the Federal land banks were enacted as the Farm Credit Act of 1955 (Public Law 347, 84th Cong., approved August 11, 1955). The recommendations of the Federal Board with respect to the Federal intermediate credit banks and the production credit corporations, concerned with short- and intermediate-term credit, were enacted as the Farm Credit Act of 1956 (Public Law 809, 84th Cong., approved July 26, 1956). The enclosed draft bill includes the remaining recommendations contained in the report of December 8, 1954, which have not been enacted into law.

The bill has a twofold objective. It would further increase borrower participation in the management and control of the district farm credit banks in accordance with the policy declared in the 1953 act and quoted above. It would also clarify the status of these banks and their employees in relation to certain laws applying generally to the United States and its employees.

The need for legislation to clarify the status of the district banks and their employees was well expressed in a recent opinion (B-124592, dated December 1, 1955) of the Comptroller General of the United States in which he said that "the status of the officers and employees of the above corporations [Federal land banks, banks for cooperatives, Federal intermediate credit banks, and production credit corporations], in relation to laws generally affecting Government employees, long has been a vexing question." The Comptroller General then concluded as follows:

"Accordingly, it is our considered view that the status of these employees with regard to the applicability of Federal statutes, including section 205(e) of the Annual and Sick Leave Act of 1951, as amended, which relates generally to Government employees, should finally be resolved by legislation. Until the matter is so resolved, we feel that the existing practice of the Administration of making lump-sum payments in these cases should be discontinued as being of questionable legality."

The need for clarifying legislation is even greater since enactment of the Farm Credit Act of 1956. Upon the effective date of that act (January 1, 1957), the then wholly Government-owned production credit corporations and Federal intermediate credit banks were merged and the surviving Federal intermediate credit banks became partly privately owned and will become increasingly so each year as the Government capital in them is gradually retired. Under the Farm Credit Act of 1955, the Government capital in the banks for cooperatives is also to be retired over a reasonable period of years. Thus, under legislation enacted by the 84th Congress, the Federal intermediate credit banks and the banks for cooperatives will eventually become wholly farmer owned, as the Federal land banks have been since 1947.

In general, the bill would (1) exempt the employees of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives from what are commonly called the civil service laws applicable to Federal employees, (2) give to such banks additional authority in personnel matters, including authority to establish a retirement system for future employees, and (3) exempt such banks from the provisions of certain other designated Federal laws generally applicable to Federal agencies or instrumentalities. The provisions of the bill are more fully explained below.

Section 1(b) of the bill would amend the Farm Credit Act of 1937 to give to the farm credit board of each district and to the board of directors of each bank of the district authority in employment and related personnel matters independent of certain designated laws applicable generally to employees of the United States and employees of corporations owned or controlled by the United States. This section also provides that appointments, promotions, and separations of district bank personnel shall be on the basis of merit and efficiency without regard to political considerations, and that the district boards, under rules and regulations prescribed by the Farm Credit Administration, shall provide for veterans' preference and limitations against political activity for personnel of the banks substantially similar to the preference and limitations which now apply.

Section 1(c) of the bill would add new subsections to section 6 of the Farm Credit Act of 1937 to (1) specifically exempt the district bank employees from designated civil service laws (subsection "(b)"), the Federal Employees' Compensation Act (subsection "(c)"), the Hatch Act and the Veterans' Preference Act (subsection "(d)"); (2) provide for continuation under civil service retirement of those bank employees now covered by such retirement (subsection "(e)"); (3) require payment by the district banks of their fair share of the cost of administration of the civil service retirement and disability fund (subsection "(f)"); (4) authorize each district bank, subject to Farm Credit Administration approval, to establish a retirement system for employees not covered by civil service retirement (subsection "(g)"); and (5) make the provisions of section 1 of the bill also applicable to the central bank for cooperatives and its personnel (subsection "(h)").

Section 2 of the bill contains amendments to several laws to (1) permit employees of the district banks not covered by civil service retirement to have the benefit of both social security and the retirement plan of the bank (subsection (a)); (2) make clear that claims arising from the activities of the banks are not claims for which the United States is liable under the Federal Tort Claims Act (subsection (b)); and (3) exempt the district banks from provisions of the Federal Employees Pay Act of 1945 relating to compensation for overtime and night and holiday work (subsection (c)), the central bank for cooperatives from the Government Employees' Incentive Awards Act (subsection (d)), and the district banks from certain leave provisions of the Annual and Sick Leave Act of 1951 and the Lump-Sum Leave Payment Act of 1944 (subsection (e)).

Section 3 of the bill contains amendments to (1) make clear that nothing in the bill shall be deemed to amend, repeal, or restrict the application of certain laws, including criminal laws and laws relating to loyalty and security (subsection (a)); and (2) provide that future legislation dealing with Federal agencies and their personnel shall be applicable to district banks and their personnel only if the banks are specifically named therein (subsection (b)).

This submission has the approval of the Federal Farm Credit Board and early consideration and enactment of the proposed bill is recommended.

The Bureau of the Budget advises that there is no objection to the presentation of this proposal for the consideration of the Congress but does not support certain arguments advanced by the Farm Credit Administration in justification of the proposal. A copy of the Budget Bureau letter is enclosed.

Very truly yours,

R. B. TOOTELL, *Governor.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., February 9, 1959.

Hon. R. B. TOOTELL,
Governor, Farm Credit Administration,
Washington, D.C.
(Attention of Mr. John C. Bagwell.)

MY DEAR MR. TOOTELL: This will reply to your letter of January 24, 1958, transmitting a revised draft of a bill, "To clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees, and for other purposes." In view of the precedents previously established by the Congress with respect to these institutions and their employees, I am authorized to advise you that there would be no objection to the submission of the proposal to the Congress for its consideration.

While we interpose no objection to the submission of the proposal to the Congress, it should be made clear for the record that the Bureau of the Budget does not support certain arguments advanced by the Farm Credit Administration in justification for the legislation. Specifically, we are not persuaded that enactment of the proposal legislation is required to achieve the purposes of the Farm Credit Acts of 1953, 1955, and 1956 which provide for an increasing measure of borrower participation in the management of the Federal land banks, Federal intermediate credit banks, and the banks for cooperatives. It is our view that the proposed changes in the status of the banks' employees raise important issues of public policy which should be considered entirely on their own merits. We also do not subscribe to the statement that the banks are "Federal" for some purposes and "non-Federal" for others." The banks are Federal instrumentalities and are described in the Government Corporation Control Act as "mixed-ownership *Government* [italic supplied] Corporations."

It is requested that a copy of this letter accompany the submission of the draft bill to the Congress.

Sincerely yours,

ROGER W. JONES, *Acting Director.*

Senator HOLLAND. I have been furnished a list of witnesses who I understand will appear on behalf of the Farm Credit Administration. There are three witnesses—Mr. Marshall Edwards, member and former Chairman of the Board of the Farm Credit Administration; Gov. Robert B. Tootell, as Governor; and Mr. Eugene Fisher, chairman of the National Advisory Committee of the National Farm Loan Associations, of Roseburg, Oreg.

Are there other witnesses who wish to be heard this morning?

I hear no request, so we will proceed to hear these witnesses.

The first witness to be called is Mr. Marshall Edwards, past Chairman of the Board, Farm Credit Administration.

Mr. Edwards.

STATEMENT OF MARSHALL EDWARDS, MEMBER OF THE FEDERAL FARM CREDIT BOARD, FARM CREDIT ADMINISTRATION, BARTOW, FLA.

Mr. EDWARDS. Mr. Chairman, gentlemen of the committee:

It is a distinct pleasure, I assure you, for me to be here this morning and to bring to you the general views of our Board regarding these two Senate bills, S. 1512 and S. 1513.

I may say, in passing, that I have been on the Federal Board 6 years. I was one of the original appointees of President Eisenhower when the Board first came into being by virtue of the 1953 Farm Credit Act. Last year, Senator Holland, I was chairman. I am not currently the chairman. But inasmuch as this legislation was developed during that time, my Board requested that I make this general statement.

I shall not attempt to go into any considerable details about the bills, as Governor Tootell will do this, and I shall not be repetitious. My comments, in the main, will deal with the background of the proposed legislation and the reasons why we think it is presently needed.

We think that the cooperative farm credit system offers a fine example of what can be done through the joint efforts of the Government and citizens who are genuinely interested in helping themselves to the maximum extent possible. The system began over 40 years ago with the establishment of the Federal land banks, you recall, by virtue of an act of Congress passed in 1916. At that time the Government

furnished substantially all of the original capital of the land banks and, over the years, contributed additional capital to the banks from time to time as was needed. It was contemplated from the beginning, however, that the Government capital would gradually be retired as the borrowers acquired stock in the system.

You recall that the act itself contained ways and means whereby the land banks would ultimately be farmer- or user-owned. And we are happy that all of the Government capital in the land banks has been retired and repaid, and that the land bank system has been completely user- or farmer-owned since 1947, more than a decade ago.

As the cooperative system grew with the establishment of the Federal intermediate credit banks in 1923, it was necessary again for the Government to supply the initial capital of those banks. It was the same story when the production credit system and the system of banks for cooperatives were established by virtue of congressional enactment in 1933. The Government capital was not only necessary to establish the system, it was equally essential to its growth and development for many years thereafter.

In the early 1950's users of the farm credit system decided that the system had developed to a point where preparation should be made for the day when it could walk alone, so to speak. There was a philosophy that came into being at that time that, inasmuch as all Government capital in the land banks had been retired and inasmuch as most of the PCA's had retired their Government capital, the people who were users of the system should have more voice in its management.

The Congress agreed, and passed the Farm Credit Act of 1953, which established the policy of developing means to accomplish that end; that is, means whereby Government capital would ultimately be retired and the system more and more user-controlled.

That policy involved two important objectives, the full accomplishment of which would require additional legislation.

You will recall, Senator Holland, section 2 of the 1953 act contained a mandate to our Board which that act created, whereby these two objectives would be ultimately accomplished; that is, Government capital would be retired and the system more and more user owned and controlled.

One objective, as I have stated, was to retire all of the remaining Government capital in the corporations which comprise the system and thereby vest ownership of these entities in the farmers and their cooperatives who use them. The Federal land banks were already farmer owned, and the idea was to achieve the same goal for the entire system. The other important objective of the 1953 act was to increase borrower participation in the management and control of these farm credit corporations, as I have stated. This objective was partially accomplished by provisions included in that act which permitted borrowers to designate nominees to be considered by the President for appointment to the Federal Farm Credit Board and authorized borrowers to elect additional directors to the district farm credit boards.

This Federal Board is a policy board, as is well understood. We are appointed by the President from three nominees from each of the districts, one by the NFLA's, one by the PCA's and one by the borrowers from the banks for cooperatives. Thus far, the President of

the United States has seen fit to restrict his appointments to these three nominees.

The district farm credit boards comprise seven members and presently, by virtue of the Farm Credit Act of 1953, five of these seven directors in each district are elected by the users of the system, and there are only two of the seven appointed by the Governor of the Farm Credit Administration, subject to the approval of the Federal Farm Credit Boards. And ultimately there will be six of these seven district engineers elected by the users of the system.

So the system has become more and more democratic in its nature by virtue of the enactment of the Farm Credit Act of 1953.

The Farm Credit Act of 1953 gave the Federal Farm Credit Board a responsibility for making recommendations to the Congress of legislative means to carry out the policy of the act. We were required within 1 year from the date of our appointment to make recommendations to the Congress whereby these two main objectives might be accomplished. We made those recommendations on December 8, 1954. And we are required under the act to make legislative recommendations to the Congress from time to time as needed.

Our recommendations, we are very happy to say, with some modifications by the Congress, have been enacted and are contained in the Farm Credit Act of 1955 and the Farm Credit Act of 1956.

The Farm Credit Act of 1955 provided a plan for the systematic retirement over a period of years of the Government capital in the banks for cooperatives. The act which created the banks for cooperatives contained no method, no means, if you please, whereby the banks for cooperatives would ultimately be farmer owned. And that was the purpose of the Farm Credit Act of 1955, to make that possible.

Governor Tootell will furnish to you details on the progress being made by the banks for cooperatives in this respect. So I will say only that the banks are moving steadily toward the goal of borrower ownership.

The Farm Credit Act of 1956 merged the production credit corporation in the Federal intermediate credit bank in each district and provided a plan for converting the credit banks from Government to private ownership by having the principal users of the banks, the PCA's, purchase such banks. The act of Congress which created the Federal intermediate credit banks contained no means whereby those banks would ultimately be user owned or whereby Government capital would ultimately be retired. So it was necessary to have that enactment in the 1956 Farm Credit Act, as you recall.

And so we had a merger of the corporation and the bank into one legal entity, and it was felt generally throughout the system that there was no longer a need for two corporate entities, that we did not need the corporation and also the intermediate credit bank. So now in each of the districts instead of having four legal entities we have but three—the Federal land bank, the Federal intermediate credit bank, and the bank for cooperatives.

The associations, the PCA's, now own about 15 percent of the stock of the credit banks and are definitely on their way toward complete ownership of them. Furthermore, all but 40 of the 495 production credit associations have retired all of their Government capital, and the total amount in those 40 is only \$4 million.

Thus, today, the farm credit banks and associations are either wholly farmer owned or else present legislation provides the means for them to become so. We believe it is reasonable to assume that all of them will reach that goal in another 20 years. Many of them will do so in a shorter period.

I make this summary this morning to show you in the main what our principal purpose has been in the 5 years or so that this Federal Board has been in being, to show you that the policy of the Congress as was stated in section 2 of the original act has, in the main, been accomplished.

And that brings us up to these bills presently under consideration, and they, I would say, concern mainly the policy of increasing the participation of farmer-borrowers in the management of the banks and associations of the system.

Much has already been done in this respect, beginning with important provisions of the Farm Credit Act of 1953 heretofore noted. We believe that in a cooperative system such as ours, management of these banks and associations primarily should be in the farmers themselves, operating through their elected boards of directors. This is the basic philosophy of the 1953 legislation, and it has been closely followed in all farm credit legislation enacted since that time. There must be adequate Federal supervision, of course, and it will continue to be the responsibility of the Farm Credit Administration to provide such supervision.

The Federal Board believes that the bills before you contain the remaining legislation needed at this time to give full effect to the objectives which the Congress set forth in 1953. This legislation, together with that enacted since 1953, will, we believe, fully effectuate the policy of the 1953 act. S. 1513 will also clarify the application to the farm credit banks of certain Federal laws relating generally to Federal agencies and their employees.

The directors of the 12 district farm credit boards hold an annual conference to consider subjects and issues of systemwide interest. The proposed legislation has been considered at one or more of these conferences and the bills have the general support of the district directors.

And I might say, in passing, that it has ever been the policy of the Federal Farm Credit Board, before it makes any recommendation to the Congress as to legislation, to take this proposed legislation out in the field at the district level and also at the local level, and familiarize, so far as is possible, all parties in interest and obtain their views and their thoughts as to what they think the system needs. And that has been done. That has been done in this instance. Full publicity is always given to these matters before we do make any recommendation.

In one instance, which the Governor will explain in more detail, one provision of the bill was apparently not fully understood. It is contained in subsection (e) of section 4 of Senate bill 1512. We thought this particular provision of the bill—that is the provision having to do with the merger or consolidation of any two NFLA's by the Farm Credit Administration—was a technical matter. We thought it was necessary. We still think it is necessary, but the purpose of the provision was not generally understood in the field. There has been opposition to that provision. It was discussed at the district directors conference. There was no particular objection.

We can see no objection to it. But because of the fact that it was not understood throughout the system, as the Governor will explain in detail, we think it advisable at this time, Senator Holland, that this provision be deleted from the bill.

Senator HOLLAND. Now you refer to a portion of S. 1512?

Mr. EDWARDS. That is right, sir.

Senator HOLLAND. And what is the subsection to which you refer?

Mr. EDWARDS. It is section 4(e).

Senator HOLLAND. That is the one that relates to the conferring of power on the governing board of the Farm Credit Administration to direct and effectuate the consolidation of loan associations?

Mr. EDWARDS. Yes.

Just by way of explanation—and this may not be fully understood out in the districts and in the associations—the Farm Credit Administration presently can compel the liquidation of any NFLA; that is the present law. But there are instances where, in order to eliminate the possibility of a few remaining stockholders in a defunct NFLA from receiving all the capital and reserve, in order to eliminate that possibility, the “last man club,” so to speak, it would be more advantageous to take the association and annex it to or merge it with an adjacent NFLA.

Senator HOLLAND. An active NFLA?

Mr. EDWARDS. An active NFLA.

And that was the only purpose of this provision. But on the face of it, when it purports to give the Farm Credit Administration the power to compel a merger, it is shocking to a lot of our folks simply by reason of the fact that they do not understand the purpose of it.

Senator HOLLAND. And each organization is inclined to apply the policy to possible action with reference to itself?

Mr. EDWARDS. They say that is it.

Senator HOLLAND. Whether that is contemplated or not?

Mr. EDWARDS. They say it is contrary to the policy of decentralization which was defined by the 1953 act and which we have attempted to comply with in all instances.

So merely by reason of the fact that it has become controversial, and because of the further fact that it may not have been given as much publicity as it should have been, we ask that the provision be deleted and we will explain it and perhaps sometime in the future we will come in and ask the Congress to give us that authority.

In conclusion, may I merely say that the Federal farm credit system exists for one purpose and only for one purpose, and that is to furnish the best credit service possible to farmers and their cooperatives at the most favorable interest rates consistent with sound lending practices and the cost of loan funds. We believe that the legislation recommended by the Federal Board and enacted by the Congress has contributed materially to this end. These bills will, in our opinion, further this basic objective. We therefore urge enactment of the bills, subject to this one amendment which I have mentioned.

Again, may I say that it is a distinct pleasure for me to appear here before your committee, Senator Holland. You have been most cooperative at all times in the past in aiding our Board to get legislation which we feel has been of great benefit to American agriculture.

Thank you so much.

Senator HOLLAND. Thank you, Mr. Edwards.

May I say for the committee that I am sure it has been pleased with the results of the enactment of the 1953, 1955, and 1956 acts, all of which have marked definite progress in a single policy, and that is the giving, in the case of all of the units under the farm credit system, increased emphasis to user ownership, user management, and user control which has all been very thoroughly emphasized by Mr. Edwards.

I do think, though, that, for the record to be complete, it might be well to state that one member of the Farm Credit Board still represents the contact between the Federal Government, the U.S. Department of Agriculture, and this very important system.

Mr. EDWARDS. That is right, sir.

Senator HOLLAND. Showing the Federal Government's continuing interest and contact.

Would you state, just briefly for the record, that condition, because I think that, while it is always advisable to give just as full control as possible to the users who are the growers and the association's growers, it is always important to remember not only that this was federally initiated but that there is a Federal tie-in which is continuing so that the Department of Agriculture may have the benefit of that contact and in the event of threatening disaster in the industry, that a quick and effective means will also always be available to bring the Federal Government back into the picture in any additional way that seems then to be necessary.

Mr. EDWARDS. Thank you, Senator. I will be very happy to do that. Our Board, as I stated is a 13-man Board, 12 of whom are appointed by the President. There is 1 from each of the 12 farm credit districts. The 13th man on the Board is the representative of the Secretary of Agriculture and serves at the pleasure of the Secretary. Mr. Frank Peck, from St. Paul, has been on our Board since it began as a representative of Secretary Benson.

The "representative"—we will so term him—of the Secretary of Agriculture has all the powers that any of the rest of us have as to voting. The only limitation is that he cannot serve as Chairman, I think, and perhaps Secretary of the Board. That is spelled out in the act itself.

Senator HOLLAND. Well, I think you have very clearly outlined the purpose of the 1953, 1955, and 1956 acts as applied to the original purpose of the legislation under which this whole system is created and the progress made under those acts.

Now off the record.

(Discussion off the record.)

Senator HOLLAND. Are there questions of this witness by any member?

Senator YOUNG of North Dakota. I think most of you have noted the chairman's great interest—

Senator HOLLAND. That is still off the record.

Senator YOUNG of North Dakota. I would like to have this on the record. I noted your great interest in the farm credit program when you rewrote some of the laws 2 or 3 years ago. I think you liberalized them and made them more effective and workable.

Senator HOLLAND. Well, thank you very much, Senator.

Are there questions by you, Senator Talmadge, or you, Senator Jordan?

Senator TALMADGE. Yes; I have a few questions.

Mr. Edwards, these two bills, S. 1512 and S. 1513, do they emphasize the same thing as H.R. 5740 which is now pending in the House?

Mr. EDWARDS. Yes, sir.

Senator TALMADGE. I have a letter here from a very able lawyer who is from one of our finest agricultural communities. He raises several very pertinent points that I would like to have you clarify and comment upon.

First, let me say that I am relatively new on this committee. I have only been here a little more than 2 years, thus I was not a member of the committee when the legislation on this subject was passed and amended in 1953 and 1955, respectively.

This gentleman points out some things that might cause some concern not only of some of our farmers and employees, but also causes me some concern.

The first point he raises, and I quote:

"You will notice in title I"—he is referring to the House bill—title I would be 1512 pending before us, would it not?

Mr. EDWARDS. Yes, sir.

Senator TALMADGE. He says:

You will note in title I it is proposed to repeal the statutory 5- and 6-percent interested rate limitations now applicable to farm loan bonds and Federal land bank loans, respectively.

What is the purpose for repealing that rate?

Mr. EDWARDS. I will be very glad to comment on that, Senator.

Under the law, we can pay no more than 5 percent on our bonds, which you understand are consolidated land bank bonds.

Senator TALMADGE. Those bonds are sold to the public?

Mr. EDWARDS. They are sold to the investing public, always in the past at good advantage. We can pay no more than 5 percent on the money which we borrow from the investing public, as is reflected by the interest rate on these bonds, under existing law. Moreover, the land banks can charge no more than 6 percent on the money which they lend to American farmers. We would have, then, but that 1 percent spread, so to speak.

Now, as we all fully recognize, the price of money has fluctuated from time to time, and in 1957 we had a very tight money market over which we have no control. We go into the market to buy our money just like any other agency—FNMA or the U.S. Treasury, and so forth. We have to go in and buy our money, and we in turn sell that money to farmers by making loans to them.

At one time last year when the price of money was exceedingly high, we were just a shade under our 5-percent limitation. Now if we come—if we meet a situation over which we have no control, where the money market demands that we have to pay more than 5 percent for our money, maybe 5.12 or something like that, we could not do so by virtue of this limitation.

This does not mean, Senator, that we will avail ourselves of this removal of limitation, but it would put us in a position to serve our farmers in the event that we were compelled to pay more than 5 percent for money.

Senator TALMADGE. Are those bonds tax exempt?

Mr. EDWARDS. No, sir.

Senator TALMADGE. They are not tax exempt?

Mr. EDWARDS. No, sir.

Senator TALMADGE. Some Federal land bank bonds are, aren't they?

Mr. EDWARDS. Not that I know of, no sir.

Senator TALMADGE. You do not know of any that are tax exempt?

Mr. EDWARDS. No, sir.

Senator TALMADGE. And your ceiling on loans is now 6 percent?

Mr. EDWARDS. Six percent. So that if you remove one limitation, you of necessity would have to remove the other, because if we are paying 5.5 percent for our money, obviously we could not pay our expense of operation on a very narrow interest spread. And that is the purpose of this.

Senator TALMADGE. Could you sell all the bonds last year that you needed in order to conserve your loans at the 6 percent rate?

Mr. EDWARDS. Yes, sir.

Senator TALMADGE. Thus far, then, you have had no problem with selling your bonds, raising your money and making your loans?

Mr. EDWARDS. That is right, sir. And under the present law we will not be in difficulty unless the money market demands that we pay more than 5 percent as the money cost.

Senator TALMADGE. Are you operating at a profit now?

Mr. EDWARDS. Yes.

Senator TALMADGE. What profit did you make in 1958 and how much in your reserves?

Mr. EDWARDS. I cannot tell you offhand. Those involve statistical figures. I will be glad to have that information furnished.

Senator TALMADGE. Could you get those figures and supply them in the record at this point, please? I do not mean immediately; I mean submit them to the staff.

Mr. EDWARDS. Yes. Mr. Fred Gilmore, Director of Land Bank Services, has those figures, Senator, and will be glad to put them in the record.

Senator TALMADGE. Fine. Thank you.

(The information is as follows:)

Profits of Federal land banks in 1958 and reserves as of Dec. 31, 1958

Net earnings for 1958	\$10, 695, 042
Reserves and surplus as of Dec. 31, 1958	302, 455, 112
In addition, the banks have capital stock of	123, 210, 075

Senator TALMADGE. The second point he raises, also referring to title I of the House bill, which would be S. 1512:

It is provided that the Farm Credit Administration would be given authority to merge national farm loan associations without the approval of the associations involved.

Mr. EDWARDS. That has been deleted, sir. That is the subject—

Senator TALMADGE. That is not in this Senate bill, then?

Mr. EDWARDS. It is in the Senate bill, but we request this committee and Congress to delete that.

Senator TALMADGE. You want that stricken by the committee?

Mr. EDWARDS. Yes, sir, because it is controversial, sir.

Senator TALMADGE. He raises still another point, also referring to S. 1512:

It is provided that the name of the national farm loan associations would be changed to Federal land bank associations, and the title of secretary-treasurer would be changed to management. This, of course, would mean the local associations who are close to the farmers and managed by them would have to give up the name they have used for more than 40 years, which name could be adopted by another competing lending agency.

I would like for you to comment on that. What is the necessity for changing the name?

Mr. EDWARDS. I will be very happy to, Senator.

The national farm loan associations, customarily referred to in the system as NFLA's, make loans to farmers for Federal land banks. They are, in a sense, the means whereby Federal land banks make their loans. They are, in a sense, the associations of the Federal land banks.

We have found that the public generally does not understand fully this name "national farm loan associations." And it is the thinking throughout the system, I might say, by all the folks generally—

Senator TALMADGE. When you refer to that, that is what we countrymen ordinarily call PCA, is it not?

Mr. EDWARDS. No, sir. A PCA is a production credit association.

Senator TALMADGE. That is different from what you call it?

Mr. EDWARDS. Yes, sir.

Senator TALMADGE. In what way does it differ?

Mr. EDWARDS. I will be happy to explain that.

For instance, presently there are 867—I think that number is right—NFLA's throughout the system. The national farm loan associations make long-term loans to farmers for the Federal land banks. There are presently 495 production credit associations.

Senator TALMADGE. That is your short-term credit?

Mr. EDWARDS. That is your short-term credit. And they make loans through the use of facilities of the Federal intermediate banks—FICB's, which are banks of discount. If you want a short-term loan, you would go to a PCA, you would give the PCA your paper; the PCA would, in turn, discount that paper with the Federal intermediate credit bank, and you would get your money in that way. Those loans may be made for as long as 5 years now by virtue of the 1956 act.

Senator TALMADGE. Is that the one on which you desire to raise the ceiling about 6 percent?

Mr. EDWARDS. No, sir.

Senator TALMADGE. That is not the PCA loan?

Mr. EDWARDS. No; there is no limitation on it now.

Senator TALMADGE. That is the Federal land bank loan?

Mr. EDWARDS. That is the Federal land bank loan.

Now the credit banks came into existence in 1923 by virtue of an act of Congress as of that date. The PCA's came into existence in 1933 by virtue of an act of Congress as of that date. Now the land banks were established way back in 1916, and there are 12 of them. And the land banks make their loans through the NFLA's, the national farm loan associations. And it is thought generally that the public would understand what that association was and what it did to better advantage if you would call it a land bank or a Federal land bank association rather than a national farm loan association. And that is the sole purpose of this proposed amendment.

Senator TALMADGE. In your opinion, it would not be very material one way or another; would it?

Mr. EDWARDS. In my opinion, it would not be, sir, and I have no fixed opinion in the matter. I do not particularly care, personally.

Now may I continue and make further explanation?

Senator TALMADGE. Please do.

Mr. EDWARDS. You asked me about the secretary-treasurer and the term "general manager."

When this system was set up, the duties of this man, who has been called secretary-treasurer through the years, were defined and he was named "secretary-treasurer." As a matter of fact, in all instances he is the general manager. He has a local board. It varies from 5 to 12, according to the set up of the NFLA. He is the man who manages it; he is the man who runs the NFLA. And that proposed amendment is to do nothing more or less than to give him the name which he should have. That is what he does; he is the general manager. That is, in my opinion, inconsequential, too, Senator.

Senator TALMADGE. And the four comments he makes are as follows:

You will also note that under title II—

that would refer to S. 1513, I believe—

it is provided that the Federal land bank would be exempt from the provisions of the Hatch Act and the Veterans' Preference Act, which, of course, means that the employees of the land bank would be immune from the operation of these acts and would, of course, be prejudicial to preference to veterans.

Would you comment on that, please?

Mr. EDWARDS. I am not qualified to comment on that, Senator. This Senate bill 1513 is what we call the status clarification bill. Its purpose is to define properly, as we understand it, the status of the employees of the district banks.

John Bagwell, who is our Counsel, has made a study of that. The Governor has that information.

I am just a country lawyer, Senator, and I do not know to much about your Hatch Act and your other acts up here, sir, and I am not qualified to comment on them.

Senator TALMADGE. I am just a country lawyer and farmer, too, and that is the reason I wanted your comments.

Mr. EDWARDS. When you are talking about S. 1512, I understand and I am very happy to discuss that with you. But I just do not know too much about the technicalities of your Hatch Act or the various Acts that are mentioned.

Senator TALMADGE. These people are Government employees are they not?

Mr. EDWARDS. Well, they are kind of a crossbreed; they are and they are not. And the purpose of this bill, as I understand it, is to properly identify them, sir.

The Governor has that information in his statement.

Senator TALMADGE. Fine.

Mr. EDWARDS. And he will clarify it. And if he cannot, I am sure our counsel, "Honest John" Bagwell, will clarify it for you.

Senator YOUNG of North Dakota. Would the Senator yield on that point?

Senator TALMADGE. I will be delighted to yield, Senator.

Senator HOLLAND. Senator Young.

Senator YOUNG of North Dakota. I am a farmer myself and no lawyer, but ever since I came to the Senate I've heard these people talk about country lawyers. I usually find they are the sharpest ones. That usually means a good attorney around this place.

Senator TALMADGE. I am sure that title is well taken with reference to the witness, but I am not so sure it is so well taken for the junior Senator from Georgia.

Senator HOLLAND. Off the record.

(Discussion off the record.)

Senator HOLLAND. Would you yield to me for a moment?

Senator TALMADGE. I would be delighted to yield, Mr. Chairman.

Senator HOLLAND. Really, is not the purpose of this Status Clarification Act, as you understand it, to effectuate as to employees what has already been done as to the officials and management of the bank as these associations have become user controlled, and private institutions, as contrasted with their former status?

Mr. EDWARDS. That is correct, sir.

Senator HOLLAND. As Federal institutions?

Mr. EDWARDS. That is correct, sir.

Senator HOLLAND. Financed by the Federal Government and necessarily controlled by Federal laws as affect their personnel?

Mr. EDWARDS. That is correct. The Governor's statement goes into that in some detail, and I am sure will explain it to the Senators.

Senator HOLLAND. Will the Senator yield for one more question?

Senator TALMADGE. I am delighted to yield, Mr. Chairman.

Senator HOLLAND. Is it not true that as the law now exists the Federal land banks alone of the three institutions, that is, Federal land banks, intermediate credit banks, and Federal banks for cooperatives, that they alone have the limitations of 5 percent and 6 percent?

Mr. EDWARDS. That is correct, sir.

Senator HOLLAND. And that the other two institutions, though at this stage not fully user owned as in the case with the Federal land banks, have no limits upon the amount of interest they can pay or the amount of interest that they have to charge in order to operate and pay their expenses and maybe have a little profit?

Mr. EDWARDS. You are correct, sir.

Senator TALMADGE. Now to get back to some further portions of the letter, and I quote:

You will also note in the provisions of title II—
and that would be S. 1513—

the land banks would be exempt from the provisions of the Annual Sick Leave Act of 1951, and this, we think, would be prejudicial to the employees of our local associations who are entitled to this protection.

Would you care to comment on that, or would you prefer that Governor Tootell do so?

Mr. EDWARDS. I would prefer that Governor Tootell do so, sir. That act, Senator, is highly technical in its nature.

Senator TALMADGE. Yes.

Mr. EDWARDS. And its primary purpose is to properly define the employees of the district banks in accordance with their present status.

Senator TALMADGE. Yes, sir.

He makes this concluding statement. I would like to have you comment on that.

Summing up the entire proposal, it appears to be a general effort to take away power and authority of the local associations, centralize the power and authority of the Federal lending agencies in the Federal land bank itself. We believe that this authority should be distributed and that the farmers who own the stock, control the local associations, should likewise have the power to determine whether or not they will continue to operate as they successfully operated for so many years or whether they will merge with other associations. And we believe that there should be no further centralization of this authority.

Mr. EDWARDS. We do not agree with the conclusion. As a matter of fact, it is our opinion that the gentleman's conclusion is 100 per cent erroneous. It has ever been the purpose, it has ever been the policy of our Board—and I refer to the Federal Farm Credit Board—since it began its existence in 1953 to do one of several things, as the policy of the act so plainly spells out:

(1) Decentralize authority: It has been our policy that if something could be done better at the district level to do it there rather than in the Washington office, rather than in the Farm Credit Administration. If it could be done at the local level, it should be done there. And that has been, in the main, our policy.

It has been our policy, as to all legislation which the Congress has enacted to remove Government capital out of the system and to make the system user or farmer owned, to place more and more control in the farmer owners.

And it is our thinking that this legislation, which is just step-by-step legislation—not primary as was the act of 1955 or the act of 1956—it is the purpose of this legislation, in the main, to make the system more farmer or user controlled.

For instance, the bill contemplates a transferral of the appraisal responsibility from the Farm Credit Administration out to the Federal land banks. We feel that the land bank appraisers now, after some 40 years or more of operation, no longer need be the employees of the Farm Credit Administration but they could properly be employees of the district banks themselves, and that they could make these appraisals as employees of the district banks, under rules and regulations and standards determined and fixed by the Farm Credit Administration.

The gentleman's conclusion, in all sincerity, is, I submit, erroneous.

Senator TALMADGE. I have one or two more questions.

How many Federal lending agencies presently do we have for farmers?

Mr. EDWARDS. Well, I could mention only—I am familiar only with the ones provided by the farm credit system. I am not a Government expert, as I mentioned a moment ago. We have in the system the Federal land banks.

Senator TALMADGE. Very well; let us briefly define their duties. Are those the institutions that make long-term loans to farmers?

Mr. EDWARDS. That is right, sir.

Senator TALMADGE. What is their maximum interest rate?

Mr. EDWARDS. Their maximum interest rate is 6 percent as presently limited by statute.

Senator TALMADGE. And what is the maximum amount of the loan?

Mr. EDWARDS. \$200,000 at present, maximum loan limit.

Senator TALMADGE. Proceed to the next one, please.

Mr. EDWARDS. The next one would be the banks of discount, the Federal intermediate credit banks, of which there are also 12.

Senator TALMADGE. Those are the ones that handle the PCA loans?

Mr. EDWARDS. Yes, sir. They are banks of discount.

Senator TALMADGE. What is their maximum lending rate?

Mr. EDWARDS. It varies. It varies with the various associations in different districts.

Senator HOLLAND. Pardon me. Do you mean by law or by actual operation, Senator Talmadge?

Mr. EDWARDS. There is no limitation in the law.

Senator TALMADGE. I meant both.

Mr. EDWARDS. It varies in various PCA's. There are 495, and it varies—I am not familiar with all of them—with different PCA's. There is no limitation fixed by law, sir.

Senator TALMADGE. Now proceed to the next one.

Mr. EDWARDS. There are 12 district banks for cooperatives and one central bank for cooperatives here in the District of Columbia. These banks make loans to cooperative associations throughout the country. Down in our area, we have citrus co-op loans. We have a group of growers merged together and they form a co-op and this co-op processes citrus, they can citrus. These co-ops borrow from these banks.

They need three types of loans—facility, commodity—

Senator TALMADGE. Are there any ceilings on their loans?

Mr. EDWARDS. Not by law. In the central bank for cooperatives, which is more or less supplemental in nature, they have but one direct loan at present, and that bank operates here in the District of Columbia. That makes 13 banks for cooperatives.

Senator TALMADGE. What else do you have?

Mr. EDWARDS. We have nothing in the farm credit system. Of course, you have other Government agencies, which I am sure you are more familiar with than am I; your Farmers Home Administration, which, in the main, makes emergency loans, and so forth.

Senator TALMADGE. Good. Thank you very much, Mr. Edwards. I have no further questions.

Senator HOLLAND. Senator Jordan, do you have questions?

Senator JORDAN. I just wanted to ask one question.

The bank that you were talking about here that loans money to co-ops, where do they get that money? Is that Federal money?

Mr. EDWARDS. No, sir. They get it through the same source. They go into the money market and sell their debentures to the investing public. They take that money and loan it to their borrowers.

Senator JORDAN. That is all.

Mr. EDWARDS. The banks of the farm credit system go into the open market and, in effect, purchase money and sell it to the members of this system at the best rates possible.

Senator JORDAN. Thank you.

Mr. EDWARDS. It is the cooperative farm credit system.

Senator HOLLAND. Senator Young, do you have questions?

Senator Young of North Dakota. Yes; I just have one or two. What rate did you say a farmer pays now on a Federal land bank loan?

Mr. EDWARDS. It varies in different districts. In the main, it is around $5\frac{1}{2}$ percent. There are some banks at 5 percent. It varies

with different banks. Presently, in our district I think the three eastern seaboard banks are presently charging $5\frac{1}{2}$ percent. I am from the Columbia District. We are charging $5\frac{1}{2}$. Other banks, bigger banks in the West charge 5 percent, sir.

Senator YOUNG of North Dakota. In order to be eligible for such a loan he has to take out stock in his local organization; is that right?

Mr. EDWARDS. Yes, sir. It operates this way, and it was so contemplated by the original Act. If you want a \$10,000 loan, you go to a secretary-treasurer of an NFLA and tell him you want a \$10,000 loan. All right. Under the present setup you subscribe for 5 percent of that loan in stock of that NFLA, National Farm Loan Association. So you would then get \$9,500 and you would have \$500 worth of stock.

Now one of the proposed amendments in this legislation is to make a loan to this farmer of the full \$10,000 exclusive of his stock, which we think should be done. In other words, since the stock now is worth par, or more in most instances, the stock itself should be the security for that additional sum. All right. So then that association, in turn, purchases the same amount of stock in the land bank of that district. In this way it has been possible to retire all Government capital in the land bank system.

Senator YOUNG of North Dakota. I understand you correctly; he gets a \$10,000 loan, he gets the full amount and he does not have to buy stock?

Mr. EDWARDS. No, sir. A farmer goes into an NFLA and makes application for a \$10,000 loan. He would actually get \$9,500.

Senator YOUNG of North Dakota. Yes; I see.

Mr. EDWARDS. He would get \$500 worth of stock, which he pledges as additional collateral for that loan.

Senator YOUNG of North Dakota. That is the way it is handled?

Mr. EDWARDS. Yes.

Now one of the amendments is to enable him to get \$10,000 in addition to his stock. We feel that the stock is security for itself.

Senator HOLLAND. But you do not exempt him from the necessity of buying?

Mr. EDWARDS. We cannot. No, that is the foundation; that is the basis of the whole system. He has got to buy stock.

Senator YOUNG of North Dakota. When he pays up his loan, is there any way of getting compensation for that stock?

Mr. EDWARDS. His stock is liquidated and applied on his loan, or, if he wishes, he does not have to necessarily liquidate that stock. But in most cases when his loan is paid off the value of that stock is reimbursed to him.

Senator TALMADGE. Would the Senator yield at that point?

Senator YOUNG of North Dakota. Yes.

Senator TALMADGE. If his stock is not restricted does he continue to draw dividends on his stock?

Mr. EDWARDS. Correct.

Senator TALMADGE. And that is at a rate of 5 percent presently, isn't it?

Mr. EDWARDS. Well, I am in error, so I am told. I had thought in some instances he could hold his stock. Mr. Gilmore says he cannot; it has to be liquidated. Fred?

**STATEMENT OF FRED W. GILMORE, DEPUTY GOVERNOR AND
DIRECTOR OF LAND BANK SERVICES, FARM CREDIT ADMINIS-
TRATION**

Mr. GILMORE. Right.

Mr. EDWARDS. That is the procedure. But it is of no particular consequence because in most instances it is.

But I had thought in some instances in my association he held his stock.

Senator TALMADGE. The stockholders, then, are confined to the association where they borrow money?

Mr. EDWARDS. Where I am wrong in this. I stand corrected, sir. In instances where the property is sold the stock may be transferred, or not, that is correct, but if the loan is liquidated, that stock has to be liquidated; that is correct.

Senator TALMADGE. You mentioned a \$10,000 loan. What is the basis of loans as to valuation of the farm? In other words, what is the maximum?

Mr. EDWARDS. That is right down my alley. That is one of my pet projects since I have been on the Board. His loan is based on what we term "NAV" or normal agricultural value. And a farmer can borrow 65 percent of the normal agricultural value of his farm, of the security offered.

Now we found when the Federal Board was created that they were making loans, or attempting to make loans, on a value which was established about on a 1910 basis. It was not realistic. And one of the first things that we did—by "we" I mean our Board—was to make the normal agricultural value realistic. And we raised it, and we have raised it again since then. There have been two raises of normal agricultural value, and you can borrow 65 percent of the NAV.

Senator TALMADGE. Suppose the farmer wants to convert from, say, rural crops to timber, do you finance that type loan?

Mr. EDWARDS. We finance timber loans; yes, sir.

Senator TALMADGE. On the timber itself, is that what you lend on?

Mr. EDWARDS. Yes, sir; timber and the land. We are making a lot of them in Georgia. Some of the big loans we are making are on Georgia timberland in my district.

Senator TALMADGE. I have heard of them and that is the reason I wanted that clarified. Are you loaning on timber already standing or timber they hope to have 20 years hence?

Mr. EDWARDS. I am not well versed on the technicalities. I think it has to be in being.

Senator TALMADGE. Do you expect to convert from rural crops to tree farming?

Mr. EDWARDS. I do not believe so.

Senator TALMADGE. I believe you stated the maximum loan to be 20 years?

Mr. EDWARDS. Not necessarily.

Senator TALMADGE. What is the maximum loan?

Mr. EDWARDS. It can be up to 40 years.

Senator TALMADGE. Forty years?

Mr. EDWARDS. Which is unusual in my district. Most of them in my district the third district—Georgia, Florida, North and South Carolina—are up to 20, but they can be as high as 40.

Senator TALMADGE. And the maximum rate is 6 percent?

Mr. EDWARDS. The maximum rate under present law.

Senator TALMADGE. Thank you, sir.

Senator JORDAN. I wanted to ask a question, Mr. Chairman.

Senator HOLLAND. Senator Jordan.

Senator JORDAN. You say a man is going to borrow \$10,000 and he has to take \$500 worth of stock?

Mr. EDWARDS. Five percent.

Senator JORDAN. That would be 5 percent in this case?

Mr. EDWARDS. Yes, sir.

Senator JORDAN. In addition to that, does he still have to pay 6 percent on the \$10,000?

Mr. EDWARDS. Yes, sir. That is why we want this amendment.

Senator JORDAN. Getting him twice.

Mr. EDWARDS. That is right. That is why we want the amendment, Senator.

Senator TALMADGE. I think that is sort of standard practice on loans, finding some way of getting him twice.

Senator HOLLAND. I think the record ought to show that he does not necessarily pay 6 percent on that, but he pays 6 percent only in those cases where the 6 percent, or highest, rate of interest is charged. It by no means represents the average rate.

Mr. EDWARDS. No. At present, five banks charge 5½. That is the highest interest rate now. Seven banks, I think, charge 5.

Senator YOUNG of North Dakota. I have just one more question.

Does the PCA operate the same way with respect to the stock? You have the requirement the borrower has to buy stock?

Mr. EDWARDS. Yes, sir. They get class B stock equal to 5 percent of the amount of the loan.

Senator YOUNG of North Dakota. Is that stock liquidated when his loan is paid up or what is the disposition?

Mr. EDWARDS. In the same way; yes, sir.

Senator YOUNG of North Dakota. Is it compulsory? If the local PCA declines to reimburse him for the stock, can they do that?

Mr. EDWARDS. What is the answer?

Mr. BAGWELL. You are talking about a PCA loan, are you not, Senator?

Senator YOUNG of North Dakota. Yes.

STATEMENT OF JOHN C. BAGWELL, GENERAL COUNSEL, FARM CREDIT ADMINISTRATION

Mr. BAGWELL. Usually, when a PCA loan is paid up the borrower retains his B stock and uses it in connection with a subsequent loan. If he does not obtain another loan within 2 years and use that stock to meet the stock requirement, the class B stock is converted to class A stock. However, the association may permit him to transfer his class B stock to another borrower.

Senator YOUNG of North Dakota. He still does not get his cash back? Now, how does he get his cash back?

Mr. BAGWELL. He may do that by transferring his stock, but the general rule is that the stock may not be canceled, which is in sharp contrast to the rule that obtains in the Federal land bank system.

Senator YOUNG of North Dakota. Off the record.

(Discussion off the record.)

Mr. EDWARDS. Thank you.

Senator HOLLAND. I think that the record should show here just briefly that under the original legislation the Federal land banks and their loan associations were set up on a basis where they could become user controlled. They had become user controlled by the time that the 1953 act was passed by the Congress. And the Congress in that case felt that it was applying management machinery that was consonant with the fact already developed in the Federal land banks and the local loan associations. But at that time the Congress set in motion the procedure which was then accomplished by the 1955 act and the 1956 act to make the same kind of user acquisition and user control and management retirement of Government capital available to the other institutions in the Farm Credit Administration.

And as I understand the report of Mr. Edwards, he shows that real progress is being made in accomplishing the same objective already accomplished with reference to the land banks in the case of the other units in the Farm Credit Administration. The objective in the 1953 act and in the subsequent acts approved by Congress was to have the philosophy of user ownership, user management and user control always subject to a tie-in with the Federal Government for the reasons which we all understand, applicable to the whole setup.

And as I understand it, the statement of Mr. Edwards shows progress made, distinct progress made, in which I am sure the committee is in sympathy and proud of too, towards the accomplishment of the same objective in the other institutions already accomplished in Federal land banks.

Does any member of the committee wish to either ask a question of the witness or make any comment? I know we are all in accord with the objectives because the Congress has shown that repeatedly beginning with 1953.

All right, thank you, Mr. Edwards.

Mr. EDWARDS. Thank you, gentlemen. It is a pleasure.

Senator HOLLAND. Governor Tootell.

STATEMENT OF ROBERT B. TOOTELL, GOVERNOR, FARM CREDIT ADMINISTRATION

Mr. TOOTELL. Mr. Chairman and members of the committee, I appreciate the opportunity to go over this with you this morning.

I have with me some members of our staff, whom I would like to introduce at this time.

John C. Bagwell, our General Counsel, who is known to most of you.

Senator HOLLAND. Well, he has already testified briefly in the matter.

Mr. TOOTELL. Yes, he has. Also Mr. Fred W. Gilmore, who is Director of the Land Bank Service; Mr. William Moore, our Personnel Officer; and Mr. Don Bushnell, who is Chief of Appraisals in the Land Bank Service.

Senator HOLLAND. Am I correct in my understanding, Governor, that just as Mr. Gilmore is director of one of the three branches of your activity, you have a director in each of the other branches?

Mr. TOOTELL. That is true.

Senator HOLLAND. Who serves under the Governor but with jurisdiction over that particular branch—one the land bank branch, one the intermediate credit bank branch, one the cooperative bank branch; is that correct?

Mr. TOOTELL. That is true. And those three, Senator Holland, are Deputy Governors of the Farm Credit Administration, as well as being directors of their respective credit services.

Senator HOLLAND. In other words, Mr. Gilmore, who is here, in addition to being a director of his service is also a Deputy Governor?

Mr. TOOTELL. That is correct.

Senator HOLLAND. All right, proceed, sir.

Mr. TOOTELL. Mr. Chairman, I have a prepared statement here and I should like to file the first 10 pages of that statement for the record and to not read it. Beginning on page 10—

Senator HOLLAND. What is the reason for requesting that the 10 pages be simply filed?

Mr. TOOTELL. In the interest of saving time. This is a rather complete explanation of the cooperative farm credit system, the district banks and associations which are supervised by the Farm Credit Administration, a Federal agency, and unless you gentlemen on the committee want me to go into the detail involved here, much of which Mr. Edwards have given you, I could save time by skipping that part of it and getting down to some discussion of the points in the bills themselves.

Senator HOLLAND. Well, may I say this, that unless there is objection, the Chairman would suggest that the request be granted and the first 10 pages incorporated, with the distinct understanding that, if any member of the committee after having had the chance to read these pages, wishes to have Governor Tootell called back, that he may be called back to give testimony, because he is available here in Washington; whereas other witnesses now in Washington, as for instance, Mr. Edwards, are here only temporarily for the meeting which they have been attending.

Is there objection to following that course of action?

The Chair hears none, and it will be followed.

(The first 10 pages referred to in the prepared testimony are as follows:)

Mr. Chairman and gentlemen of the committee, I appreciate the opportunity to appear before you and present the views of the Farm Credit Administration on S. 1512 and S. 1513, bills which would amend certain laws relating to the cooperative farm credit system.

Before discussing the provisions of the bills, I would like to give you a brief outline of the farm credit system and explain the functions of the various organizations which make up that system. I have handed out copies of an organization chart which should prove helpful to this discussion.

The Farm Credit Administration is an independent agency in the executive branch of the U.S. Government. The agency consists of the Federal Farm Credit Board, the Governor, and other officers and employees appointed by the Governor. The Federal Farm Credit Board is a part-time policy-making Board which consists of 13 members, 12 of whom are appointed by the President with the advice and consent of the Senate. In making the appointments, the President is required to receive and consider nominations by the various user groups in each farm credit district. The 13th member of the Board is designated by the Secretary of Agriculture as his representative on the Board.

The Farm Credit Administration supervises, examines, and coordinates the activities of the 37 banks and about 1,400 local associations which, together with the Farm Credit Administration, comprise the cooperative farm credit system.

The Governor, under the general supervision and direction of the Federal Farm Credit Board, is responsible for the execution of the laws creating the powers, functions, and duties of the Farm Credit Administration. Expenses of the Farm Credit Administration are not paid from Treasury funds but are paid through assessments against the banks and associations of the system.

The United States is divided into 12 farm credit districts. There is in each district a Federal land bank, a Federal intermediate credit bank, and a bank for cooperatives. Each district has a farm credit board which also serves as the board of directors of each of the three banks. Each district board consists of seven members, two elected by the national farm loan associations, two elected by the production credit association, one elected by the stockholders of the bank for cooperatives, and two appointed by the Governor of the Farm Credit Administration with the concurrence of the Federal Farm Credit Board. There is a central bank for cooperatives located in the District of Columbia, which has a separate board of directors.

The Federal land banks were established under the Federal Farm Loan Act of 1916. They provide farmers and ranchers with long-term credit on farm real estate. These loans are made through national farm loan associations, also organized under the 1916 act. Each borrower from a Federal land bank is required to become a member of the national farm loan association through which the loan is made. The borrower buys capital stock of the association in an amount equal to 5 percent of the face amount of the loan and the association is required to purchase an equal amount of stock in the Federal land bank of the district.

A Federal land bank loan must be secured by a first mortgage on the farm or ranch of the borrower and is repayable on an amortized basis in annual or semiannual installments. The amount of loans to any one borrower may not exceed \$200,000. In no event, however, may the amount loaned exceed 65 percent of the appraised normal value of the farm or ranch offered as security.

The loan funds of the Federal land banks are obtained chiefly through the sale of consolidated bonds to the investing public. Since the banks obtain their loan funds in this manner, interest on loans made to farmers varies with the cost of money. At the present time, seven of the banks are making loans at 5 percent and five charge an interest rate of 5½ percent.

At the outset, the Federal land banks were largely capitalized by the U.S. Government. The law provided for the automatic retirement of Government capital in the banks under specified conditions and most of the original capital had been retired by 1932. In that year, however, due to the generally depressed condition of agriculture and the inability of the banks to find a ready market for their bonds, \$125 million of Government capital was invested in the banks. Later, approximately \$189 million additional Government capital was invested in the banks to assist them in granting extensions and deferments on outstanding mortgage loans. By 1947, however, all of the Government capital in the Federal land banks had been repaid.

Farmer-members own all the capital stock of each of the approximately 900 national farm loan associations and the associations, in turn, own all the stock of the Federal land banks. Thus, the Federal land bank system has been completely farmer owned since 1947. On December 31, 1958, the combined net worth of all Federal land banks and national farm loan associations was approximately \$475 million.

The Federal intermediate credit banks were established under the Agricultural Credits Act of 1923. They were organized as banks of discount to provide a permanent and dependable source of funds for institutions making loans to farmers and ranchers. Although these banks served many privately capitalized financing institutions in the decade following their organization, they never served farmers effectively until the system of production credit associations was established in 1933. Up to that time, there were not enough primary lenders with sufficient capital to make funds available to individual farmers in anything like an adequate volume. The production credit associations were established to make the rediscounting services of the Federal intermediate credit banks available to every farmer in the United States who has a satisfactory basis for credit.

As a result of the growth and development of the production credit system, the major part of the credit business of the intermediate credit banks is now done with the production credit associations. The most recent figures for the system

as a whole show that about 93 percent of the banks' average daily balances of loans and discounts outstanding were accounted for by the production credit associations. The banks also do business with a number of other financing institutions (called OFI's), principally State-chartered, privately capitalized agricultural credit corporations and livestock loan companies.

The intermediate credit banks obtain their loan funds primarily from the sale of short-term consolidated debentures to the investing public. The interest and discount rates which the banks charge the production credit associations and the OFI's depend upon the rates of interest which the banks have to pay on their debentures.

The Federal intermediate credit banks were originally capitalized by the U.S. Government. They remained so until January 1, 1957, the effective date of the Farm Credit Act of 1956, at which time the Government's capital investment in the banks was \$87.4 million, composed of \$60 million of the original capital and \$27.4 million transferred from the production credit corporations which were merged with the intermediate credit banks by the provisions of that act. The 1956 act included provisions under which the banks are now being converted from Government to private ownership. On January 1, 1957, production credit associations were required to subscribe, in the aggregate, to 15 percent of the capital stock of the intermediate credit banks. All of this stock has now been paid for and a corresponding amount of Government capital in the banks has been retired. The balance of the Government capital, represented by preferred stock, will be retired over a reasonable period of years from earnings of the banks and eventually they will be owned entirely by the production credit associations. As of April 1, 1959, \$13.6 million of the \$92.2 million (\$87.4 million referred to above plus \$4.8 million invested since 1957) of Government capital in the intermediate credit banks had been retired. The combined net worth of the intermediate credit banks on December 31, 1958, was \$166 million.

There are 495 production credit associations in the United States. Loans by the associations are usually on a budget basis for periods up to 1 year. Some loans for capital purposes are made for periods up to 5 years. Each borrower from a production credit association is required to own class B (voting) stock in the association in an amount equal to 5 percent of the amount of the loan. The loans are usually secured by chattel mortgages on crops or livestock but unsecured loans are made in appropriate cases.

The production credit associations provide credit to members at the lowest cost consistent with sound business practices. Interest rates vary among the associations. Since the associations obtain their loan funds by rediscounting farmers' notes with the Federal intermediate credit banks, interest rates are determined largely by the cost of money to those banks. At the present time, interest rates charged by the associations vary from 5 to 7½ percent, with the majority of the associations charging 6 percent.

Initially, the production credit associations were capitalized almost entirely through the purchase of class A (nonvoting) stock by the Government. Over the years, farmers have also purchased substantial amounts of class A stock to increase the lending capacity of their associations and to retire Government capital. These purchases of class A stock were over and above the class B stock required to be owned in connection with each loan. Most associations have elected to devote their earnings to building their financial strength and, consequently, members have largely forgone returns on their stock investments. As capital investments by members grew and earnings of the associations accumulated, the Government capital in the associations has been gradually retired. This plan of operation has enabled the associations to retire all but \$4 million of the approximately \$90 million of Government capital invested in them and only 40 of the associations have any Government capital left. Member-owned capital stock of the 495 associations at December 31, 1958, amounted to \$131,980,000 and the combined net worth of all the associations on that date was approximately \$246 million.

The banks for cooperatives were organized under the Farm Credit Act of 1933. They make loans to farmers' marketing, purchasing, and service cooperatives. Three distinct types of loans are made: commodity, operating capital, and facility loans. Interest rates vary with the type of loan. Generally, the commodity loans carry the lowest interest rate, operating capital the next higher, and facility loans the highest rate.

The loan funds of the banks for cooperatives, other than those available from their capital and surplus, are obtained from the sale of consolidated debentures. As is the case with other banks of the system, interest rates charged by the

banks for cooperatives depend, to a large extent, upon the rates they have to pay on their debentures. At the present time, interest rates charged by the banks for cooperatives ranged from a low of $3\frac{1}{4}$ percent on commodity loans to a high of 5 percent on facility loans.

The banks for cooperatives were capitalized by the United States out of the revolving fund from which the Federal Farm Board previously made loans to cooperatives under the Agricultural Marketing Act of 1929. As the credit service of these banks increased, capital stock subscriptions by the United States increased until they reached \$178.5 million in 1945. This amount was reduced to \$150 million at the time of passage of the Farm Credit Act of 1955.

The Farm Credit Act of 1955 provided a plan for the systematic retirement over a period of years of the Government capital in the banks for cooperatives. This was to be made possible by the creation of permanent capital contributed by the users of the banks. From organization until January 1, 1956, the effective date of the 1955 act, borrowers from the banks for cooperatives were required to purchase capital stock of the banks equal to approximately 5 percent (a lower percentage in the case of commodity loans) of the amount of their loans. Upon repayment of the loan, borrowers had the right to have the stock retired and receive the proceeds either in cash or have them applied as a payment on the loan. Borrower capital built up in this manner could not be regarded as permanent.

Under the Farm Credit Act of 1955, borrowers from the banks for cooperatives are required to purchase class C (voting) stock in the banks in an amount related to the quarterly interest payments on their loans (from 10 to 25 percent as determined by the bank with the approval of the Farm Credit Administration). Also, the net earnings of the banks, after reserves, certain dividends, and franchise taxes are provided for, are required to be distributed in class C stock to the borrowing cooperatives. Class A (Government-owned) stock of the banks is required to be retired each year in an amount equal to the amount of class C stock issued for that year. Thus, funds from regular investments in class C stock by the borrowers and from net earnings of the banks are being used to retire Government capital.

As of June 30, 1958, the banks for cooperatives had retired \$15.2 million of Government capital since the Farm Credit Act of 1955 became effective on January 1, 1956. This reduced the amount of Government-owned stock in the banks to less than \$135 million compared with a peak of \$178.5 million in 1945 and \$150 million on January 1, 1956, when the 1955 act became effective. The combined net worth of the banks for cooperatives on December 31, 1958, was \$265.3 million.

Farmers and their cooperatives made record use of the farm credit system in 1958. Total borrowings from the system in 1958 reached \$3.4 billion, an increase of \$566 million, or 20 percent over 1957, which was also a peak year. The greatest gain during the year was in production credit where farmers borrowed \$2.2 billion from the local production credit associations. This was a new high for the associations and represented an increase in number of loans of almost 5 percent and an increase in amount of 27 percent over 1957.

Farmers also made increased use of other parts of the system. They borrowed \$429 million on 45,500 loans in 1958 from the Federal land banks. This represented an increase in number of loans of about 1 percent and an increase in amount loaned of about 8 percent over 1957. The total amount of land bank loans outstanding on December 31, 1958, was a record \$2.1 billion, which is about 18 percent of all farm mortgage loans.

More farmers cooperatives than ever before—2,106—borrowed \$559 million from the banks for cooperatives during 1958. This represented an increase in number of loans of 20 percent and an increase in amount of 3 percent over 1957. At the end of the year a record number of 2,549 cooperatives had \$510 million of loans outstanding with the banks.

The Farm Credit Act of 1953 was an important milestone in the development of an effective cooperative credit system for agriculture. That act declared it to be the policy of Congress "to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership of the permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration." That act also directed the Federal Farm Credit Board, within 1 year after its establishment, to make recommendations to the Congress of means to carry out that policy, including means for the retirement of the remaining Government capital in the

system. The Federal Board made the recommendations thus required in a special report to the Congress on December 8, 1954. Most of those recommendations, with some modifications, were enacted in the Farm Credit Act of 1955 and the Farm Credit Act of 1956. S. 1512 and S. 1513 contain the remaining recommendations made in the Federal Board report of December 8, 1954, together with a few additional amendments which we believe are in furtherance of the policy of the 1953 act and will strengthen and improve the credit service of the farm credit system.

Senator JORDAN. Mr. Chairman, I have got to go to another meeting, and I will take this and study it.

Senator HOLLAND. Well, the understanding will be, Senator Jordan, that not only as to the 10 pages inserted, but as to any other part of his statement, that if you or any other member of this committee wishes to question Governor Tootell or any members of his staff with reference to any part of the statement, that you shall have the privilege to recall him. It would be no hardship on him to come back for further questioning, if you or any other member of the committee wishes to follow that course.

Senator JORDAN. Thank you. I am sorry I cannot stay for the completion of the hearing.

Senator HOLLAND. We are sorry you have to leave.

Off the record.

(Discussion off the record.)

Senator HOLLAND. All right, Governor Tootell, I think we are all in an appreciative mood, so you go ahead.

Mr. TOOTELL. Very well, thank you.

Before I get to the point on page 10 of my prepared statement which will proceed with analysis of the bill, I will call your attention to this organization chart which is before you, which I believe will be very helpful in explaining and helping you understand the rather complicated farm credit system.

If you will notice over here on the left there is indicated four levels of operation in this system.

The first is the Farm Credit Administration itself, which is a small independent agency of the Federal Government with headquarters here, that has a responsibility for supervising the district farm credit banks and associations and of coordinating their efforts and of rendering certain services for them.

The organization of this Federal agency is indicated over to the right, then consisting of the Federal Farm Credit Board, which Mr. Edwards has already described, and then the Governor and his staff.

You will note down under the big square there, indicating the Service Divisions, that there are these three directors, Senator Holland, which you mentioned earlier—the Director of the Cooperative Bank Service; of the Short-Term Credit Service, which includes the intermediate credit bank and the production credit associations; and then on the right the Director of the Land Bank Service, which is Mr. Gilmore back here.

Then we come down to this next level of farm credit banks in each of these 12 farm credit districts—the bank for cooperatives, the Federal intermediate credit bank, and the Federal land bank.

And then at the next level, the association level, there are farmer cooperatives that borrow from the banks for cooperatives. There are the production credit associations and other financial institutions that

borrow from and discount with the Federal intermediate credit banks in the district. They are indicated right here.

And then the national farm associations through which the Federal land banks make loans to farmers, down here on this level.

Senator TALMADGE. Mr. Tootell, do you mind yielding at that point?

Mr. TOOTELL. I will be glad to, Senator.

Senator TALMADGE. Do these include the Farmers Home Administration, which is an agency of Agriculture?

Mr. TOOTELL. That is true. The Farmers Home Administration is the agricultural lending agency of the Department of Agriculture.

Senator TALMADGE. Are there any others now, in addition to that, which you have not enumerated here?

The Farmers Home Administration, I understand, lends money to remodel homes, to buy homes, and to buy farms.

Mr. TOOTELL. Yes, and for operating purposes, and really for any agricultural purpose. But they are in the category of making higher risk loans than would be made by the cooperative farm credit system.

Senator TALMADGE. Is that what you referred to as a "disaster loan"?

Mr. TOOTELL. Well, the disaster loan is one phase of the operation of the Farmers Home Administration. Another, and the one for which—

Senator HOLLAND. Just a moment. The so-called substandard loan is the principal field of operation in the Farmers Home Administration; am I correct in that?

Mr. TOOTELL. Yes, you are, Senator Holland. The main loans that they make, the great majority of them, are loans in which the borrower does not have the equity usually required when a loan is made.

Senator TALMADGE. Is that with direct Government capital?

Mr. TOOTELL. That is right.

Senator TALMADGE. And this is where you are working primarily to get to the man who borrows the money and use his money? Do you still have some Federal money in the system?

Mr. TOOTELL. We still have some Federal money invested in the capital structure, but not as a source of loan funds.

Senator TALMADGE. Is the working capital owned by the public and the users of the fund?

Mr. TOOTELL. That is true. And the loan funds come from the sale of the debentures and bonds of the farm credit banks to the investing public. In other words, this is a mechanism through which farmers pool their credit and go into the money markets and compete with commerce and industry for funds.

And this past year, 1958, the banks and associations of our system loaned American farmers \$3.4 billion.

Senator TALMADGE. How much was repaid?

Mr. TOOTELL. Well, of course on the land bank loans—let me put it this way, Senator Talmadge; a very high percentage of that which was due was repaid.

Senator TALMADGE. Do you remember the percentage?

Mr. TOOTELL. The delinquencies in the land bank system this past year were just a little more than 5 percent, I believe, which is quite a normal figure.

In the production credit system, I cannot quote you a specific figure on that, but except for a few areas like the Mississippi Delta, where there was disaster last year, the repayments were very good.

And the repayments on the bank for cooperative loans was just almost 100 percent.

Senator TALMADGE. Perhaps it would be better, instead of using one year as a guide, to utilize a long-term period.

Mr. TOOTELL. Yes, sir.

Senator TALMADGE. In your long-term period, what percentage of collections have you made and what percentage of foreclosures have you had to make, either by your farm home loan or PCA?

Mr. TOOTELL. Senator Talmadge, we have specifically the figures on that going back to the year one for our system, and we would be glad to put those in the record.

Senator TALMADGE. If you will, I would appreciate it, with the permission of the chairman.

Senator HOLLAND. I think that would be splendid for us to have that information in the record.

(The information is as follows:)

Farm credit banks and associations, loss experience, organization through June 30, 1958

[Thousands of dollars]

Banks and associations	Total loans made	Actual and estimated losses			
		Actual	Reserves for losses	Total	As a percent of loans made
					<i>Percent</i>
Federal land banks.....	7,003,518	¹ 128,691	26,898	155,589	2.22
Federal intermediate credit banks.....	31,830,340	8,131		8,131	.03
Production credit associations.....	19,359,207	13,827	17,045	30,872	.21
Banks for cooperatives.....	8,290,492	4,866	3,673	8,539	.10

¹ Of the total of \$128,691,000 losses actually realized through June 30, 1958, \$110,952,000 or 86.2 percent occurred prior to Jan. 1, 1942.

² As a percent of cash advances.

Mr. TOOTELL. But I could just say offhand that it is a very small fraction of 1 percent, so far as most of the banks are concerned and that is the reason why the banks are able to sell their bonds and debentures to such good advantage because the record has been very good.

Senator TALMADGE. Are you building up a reserve to take care of your foreclosures?

Mr. TOOTELL. Very definitely so. The net worth of this cooperative farm credit system of ours is in excess of a billion dollars.

Senator TALMADGE. Where do your bonds sell at 5 percent? Are they above par?

Mr. TOOTELL. We have three categories. You say do they sell above par?

There again, that depends considerably upon the day-to-day market situation.

Senator TALMADGE. When was the last time you have issued any?

Mr. TOOTELL. We have issued Federal intermediate credit bank debentures each month. Shortly after the middle of each month, we sell Federal intermediate credit bank debentures. The last issue was

sold about the 20th of March. It was an issue of \$216 million. Those are 9-month debentures, and the rate on them was 3.75 plus a 0.10 percent commission.

Now that rate varies widely.

A year ago last October, at the peak of the money cost, that rate was, I believe, $4\frac{7}{8}$ percent.

Senator TALMADGE. Do you ordinarily sell them for as short a term as 9 months?

Mr. TOOTELL. Intermediate credit bank debentures are practically always 9 months because it is used almost entirely for short term lending. The Federal land banks, on the other hand, sell a majority of their securities for a longer period of time.

Senator TALMADGE. When did you last issue any of those?

Mr. TOOTELL. I should like to refer that question to Mr. Gilmore who meets with the bond committee and can make that statement.

Senator HOLLAND. Mr. Gilmore.

Mr. GILMORE. Mr. Chairman, the last issue of Federal land bank bonds was sold April 1, just past, \$86 million at a rate of $4\frac{1}{4}$ percent. They sold at $99\frac{1}{4}$. They were sold a hair below par because of a slight break in the market between the pricing date and sale date which made an effective rate of 4.39. Those were for 9 years.

Senator TALMADGE. Thank you.

Mr. TOOTELL. I was telling you about the high points in the sale of Federal intermediate credit bank debentures back a year ago last October. By May a year ago that market changed to a point where those same type of debentures sold for 1.38 percent and they have been going up pretty much since that, starting last fall.

So the point is that our farm credit banks go into the market and compete with commerce and industry for loan funds and we are proud of the fact that we do compete quite favorably. We sell bonds in our system at more favorable terms than top grade corporate bonds, but a bit more than bonds of similar length of term of the Federal Government.

Senator HOLLAND. I think there is just one thing that we ought to clear up here that was an answer you gave a moment ago indicating there was still Federal money invested in the capital stock structure of the banks. I understand that to be true except as to the Federal land banks.

Mr. TOOTELL. That is true, Senator Holland, the Federal land banks retired the last of the Government capital in them in 1947, and since that time have been completely owned by the farmers of this country.

Senator TALMADGE. Those were the ones that were tax exempt; were they not?

Mr. TOOTELL. Those bonds issued before 1942 were tax exempt, but since that time there was a wartime change in the tax law.

Senator TALMADGE. None of them are tax exempt?

Mr. TOOTELL. None tax exempt since.

Senator TALMADGE. I thought I recalled that some of these bonds were tax exempt, and for that reason Mr. Edwards' reply startled me a little, but you clarified it somewhat.

Senator HOLLAND. Would the Senator yield a moment?

Senator TALMADGE. Delighted to yield.

Senator HOLLAND. It seems to me that the whole concept of private operation, private ownership, private administration would be challenged and perhaps violated if the bonds were tax exempt. Do you agree with that?

Mr. TOOTELL. Yes, I do personally, and I believe most of the people in the cooperative farm credit system feel that way about it today.

Senator HOLLAND. Thank you.

Mr. TOOTELL. Mr. Chairman, I believe I will make no more general statements about the system then and will proceed on page 10 with a discussion of the provisions of S. 1512.

Senator HOLLAND. Off the record.

(Discussion off the record.)

Mr. TOOTELL. Senator Holland, it would take me considerable time to complete this and you have an out-of-town witness. I would be glad to step aside for him because, as you indicated earlier, I can come back anytime.

Senator HOLLAND. To whom do you refer?

Mr. TOOTELL. Speaking of Mr. Fisher who comes from Roseburg, Oreg.

Senator HOLLAND. Is there objection to having Governor Tootell testify on the details of this proposed legislation at a later hearing, making sure that we can allow the other witness to get back to Oregon by hearing him today?

Senator TALMADGE. No objection on my part, Mr. Chairman. I would like to ask the Governor, while he is here, one or two questions.

Senator HOLLAND. Proceed.

Senator TALMADGE. That leads directly to this business of the proposed raise of interest rates. As I understand Governor Tootell and Mr. Edwards' testimony the increase would not necessarily be put into effect if granted.

On page 3 of your statement, Governor, the first full paragraph, the last sentence, states: "At the present seven of the banks are making loans at 5 percent and five charge an interest rate of 5½ percent."

Witnesses have testified that your last sale of debentures were purchased at 4.25, that the short-term loans for PCA purposes were sold at 3.75 approximately, with maybe some slight commission.

In view of that fact, and in view of the fact that you are presently lending money at 5 or 5½ percent, what is the necessity or desirability of raising rates for you borrowing money with a ceiling at 5 percent and your maximum loan rate at 6, both of the ceilings being higher than what you are presently using? What is the necessity for granting the authority on that?

Mr. TOOTELL. Senator Talmadge, I guess it is because we got scared a year ago last fall.

Senator TALMADGE. I can understand the apprehension in the present money market but it seems to me that your apprehension may be premature.

Mr. TOOTELL. Well, you see, we want to be prepared.

Senator TALMADGE. Yes.

Mr. TOOTELL. There is nothing about the action that we are asking the Congress to take in this which would have any effect whatsoever on the market cost of money. If the ceiling is removed on what we might pay for bonds, the 5 percent ceiling, it would mean that we

wouldn't be precluded from getting loan funds for farmers if the market cost of money gets above 5 percent. That is our problem, and we hit that ceiling in the fall of 1957. We came in in October 1957 with an issue of co-op bank debentures and had to pay 5 percent.

The co-op bank didn't have a limit, but had we been confronted with the necessity of a sale of land bank bonds at that time to refinance a maturing issue and to get new loan funds, we would have really been up against it, and so I want to emphasize that a removal of these limits has no effect at all in itself, you see, on what a farmer would be charged for money.

Senator TALMADGE. Yes, I understand. You are now charging 1 to $1\frac{1}{2}$ percent less than the ceiling. But you are also borrowing money from three-fourths of 1 percent to $1\frac{1}{4}$ percent less than the ceiling and it seems to me that your apprehension is premature in view of that fact.

Mr. TOOTELL. Well, if Congress were in session every month of the year, then it would seem to me that we might just wait until this thing became more imminent and then the Congress would hurry up emergency requests to remove this so that we could get in and get loan funds, but as I said before in the fall of 1957 we were scared. You folks weren't in session and we were right up against that ceiling.

Now, Senator Talmadge, the Federal land bank has outstanding, I don't know how many issues.

How many total issues, Mr. Gilmore, a dozen?

Mr. GILMORE. Sixteen or seventeen.

Mr. TOOTELL. Sixteen or seventeen total issues, that vary as to term from 1 year to 15 years and the rates on those vary all the way from a low of $1\frac{3}{4}$ to a high of $4\frac{5}{8}$, you see.

Then for the intermediate credit banks there is always outstanding at least nine issues because they issue 9-month term securities. For the bank for co-ops there has been in the past outstanding about three or four issues. They are shortening up on theirs, going in the market more frequently and will in the future usually have about six issues outstanding. So as far as the cost of money to each of these banking systems, that varies, but it is a matter of weighted average of these issues that are outstanding.

And then, of course, the earned net worth, the capital, surplus and reserves of each of these banks are earning assets which have some bearing, too, on the interest rate, but always we are undertaking to strengthen this system by building up the net worth.

Senator TALMADGE. Governor, now that you have heard the objections raised by this lawyer, I would appreciate it, if at some future appearance, you would address yourself somewhat to his objections of the bill if you don't mind, sir.

Mr. TOOTELL. I would be very happy to do so.

Senator HOLLAND. I think that is a good suggestion and I hope that in the event you need members of your staff, as for instance your solicitor, to be of assistance on some of those questions that you have them present with you also.

Mr. TOOTELL. I will be glad to do that, sir.

Senator HOLLAND. All right, Mr. Fisher—Mr. Eugene H. Fisher, chairman of the National Advisory Committee of the National Farm Loan Associations.

STATEMENT OF EUGENE H. FISHER, CHAIRMAN, NATIONAL ADVISORY COMMITTEE OF THE NATIONAL FARM LOAN ASSOCIATIONS, EUGENE, OREG.

Senator HOLLAND. Have a seat, sir.

Mr. FISHER. Mr. Chairman and Senator Talmadge, first let me express appreciation for the courtesy of the committee and Governor Tootell. It is true, I have a long way to go and expect to leave tomorrow and I do have with me seven members of our advisory committee who have been meeting here and are here today. However, I will not take the time to introduce them.

Senator HOLLAND. I wish you would put their names and places of residence in the file at this time so that the record will clearly show the broad places of origin of your advisory committee and the broad base of commodities in which they are interested, because they come, as I know, from different areas producing different agricultural commodities.

Mr. FISHER. I would be happy to do that and indicate that 7 are here at the hearing and 12 of us have been present in the past 2 days.

(The information referred to is as follows:)

National Farm Loan Association Advisory Committee

<i>District</i>	<i>Member</i>
1. Springfield-----	Merton C. Dean, Bergen, N.Y.
2. Baltimore-----	C. E. Myer, ¹ Studley, Va.
3. Columbia-----	J. H. Warren (vice chairman), Prospect Hill, N.C.
4. Louisville-----	Cyrus B. Dawson, ¹ Grafton, Ohio.
5. New Orleans-----	John Dickins, ¹ Leland, Miss.
6. St. Louis-----	Carl H. Echterncamp, ¹ Quincey, Ill.
7. St. Paul-----	Joseph B. Zeug, ¹ Walnut Grove, Minn.
8. Omaha-----	William H. Yungclas, ¹ Webster City, Iowa.
9. Wichita-----	W. D. Lakey, Sayre, Okla.
10. Houston-----	W. M. Fordstran, ¹ Stockdale, Tex.
11. Berkeley-----	James E. Storm (secretary-treasurer), Gridley, Calif.
12. Spokane-----	Eugene H. Fisher (chairman), ¹ Oakland, Oreg.

¹ At hearing.

Senator HOLLAND. You are in effect testifying then as a representative of this advisory board, is that correct?

Mr. FISHER. Yes, sir.

At the outset I will give you some references to my connections, what I do in the advisory committee, and then I will make brief remarks relative to the bill.

I am Eugene H. Fisher and I operate a diversified farm near Oakland, Oreg. My residence is Oakland. I have been referred to as from Roseburg; however, that is my national farm loan association.

I have a Federal land bank loan and for that reason I am a member of the Roseburg National Farm Land Association. For a number of years I have been interested in the cooperative credit service rendered by the land bank system and have taken part in the operations of the system from the viewpoint of an active, interested national farm loan association stockholder. At the present time, I am president of the Roseburg National Farm Loan Association, chairman of the conference of NFLA representatives in the Spokane Farm Credit District, chairman of the Spokane Farm Credit District NFLA Advisory Committee, and chairman of the national NFLA advisory

committee. I am before you today as a representative of the national NFLA advisory committee to inform you of the views of the committee on S. 1512 and S. 1513, bills affecting the Federal land bank system and the district banks of the Federal farm credit system. The national NFLA advisory committee consists of 12 members, one selected to represent the NFLA's in each of the 12 farm credit districts on the national committee. The committee is, therefore, the representative of the 876 national farm loan associations, which own all of the capital stock of the 12 Federal land banks and which, in turn, are owned by approximately 370,000 farmers and ranchers who have Federal land bank loans in the country.

Senator HOLLAND. Might I inject just there. I think the record should show that in each case these borrowers are men whose capital assets in agriculture have been found to be sufficient to justify credit-wise the extension of long-term loans by the appropriate unit of farm credit; in other words, that they are substantial people and in the main successful people in the agricultural business. I don't know of any group that is more substantial than the one which you represent.

Now, go ahead.

Mr. FISHER. That is correct.

The purpose of the advisory committee: One of the objectives of the district—and I am speaking here of the districts, first—NFLA Advisory Committee is to enable the national farm loan associations in a farm credit district to systematically exchange views on the operations and credit services of their respective associations, their district Federal land banks, and the land bank system generally, and to consider ways and means of improving the services and the operations of the land bank system as a farmer-owned, cooperative credit system, and to work in a like manner with the directors of the district farm credit boards and the officers of the land banks.

Just a few words about our national advisory committee, which we have here.

The purposes and objectives of the National NFLA Advisory Committee are similar to those of the district committee, except that their operations are on a national basis, permitting an official representative of the national farm loan associations in each district to exchange views and comments with like representatives of the other districts, and to transmit their views and comments to the Federal Farm Credit Board and the officials of the Farm Credit Administration. Our committee held its annual meeting in Washington, D.C., on April 6 and 7, and incidentally, as I stated, all 12 men were here.

We reviewed the bills and except for section 4(e) of S. 1512 unanimously approved the bills for early enactment.

Senator HOLLAND. Off the record.

(Discussion off the record.)

Mr. FISHER. We believe the enactment of these bills, with the exception noted, would be a major step forward in the growth and development of the Federal farm credit system generally and the Federal land bank system specifically as a farmer-owned cooperative in furtherance of the declared policy of the Congress as set forth in the Farm Credit Act of 1953.

Now, taking up some of the specific items, I will comment briefly on them in S. 1512.

First, the appraisal responsibilities and the second appraisals.

Turning to the general provisions of S. 1512, it is our view that the land bank system cannot function as a wholly member-owned-and-operated cooperative credit institution until and unless the responsibility for making the appraisals upon which its loans are based has been given to it. In our opinion, the appraisal of properties for loan purposes is a necessary part of the lending operations. The bill requires the Federal Government, through the Farm Credit Administration, to prescribe uniform national appraisal standards in accordance with the requirements of the law and to see that such standards are properly followed by the banks in the appraisals which they make. We believe this will provide adequate safeguards to the system. We take pride in the record—I am speaking now of the designee portion of the present bill—we take pride in the record that has been made by many of the banks in the use and development of a so-called designee appraisal program authorized by the Farm Credit Act of 1955. However, we believe that the requirement of that law that every property accepted as loan security on an appraisal made by a land bank designee be reappraised within 1 year by a Federal appraiser imposes an unnecessary expense upon the system and results in a duplication of work and effort without commensurate benefit to the system. We, therefore, believe that the provisions of S. 1512 to the effect that the law be amended to dispense with the requirement for second appraisals is desirable and necessary for the economical and efficient operation of the land bank system.

Relating to the names of the NFLA's and secretary-treasurers.

Generally, our national farm loan associations would like to have their legal name changed to Federal land bank associations so that they will be more closely identified with their district Federal land bank, in whose name each loan is made to the association member. The national farm loan associations would also like to have the name of their executive officer changed from the title of secretary-treasurer to manager.

Senator HOLLAND. Upon that point, is this correct, that the association really serves as an agency of the land bank? The mortgage is made from the borrower to the land bank, is that correct?

Mr. FISHER. Yes.

Senator HOLLAND. And, therefore, you think that the change of name would more clearly identify and more appropriately identify the associations as a field agency, a field activity leading to the securing of loans through the district, regional or Federal land bank?

Mr. FISHER. That is correct.

A very common thing to happen—we are generally considered as making Federal land bank loans. I have heard people say “I looked in the telephone book for a Federal land bank association and I could not find it.” My own association is listed under Roseburg National Farm Loan Association. Some people do not connect the two. We think that this is simply a matter of improving public relations and it might save us some advertising. We want every farmer to know of the existence of the national farm loan association, as we call it now, who are in position and willing and able and anxious to serve the farmers and we think this change will expedite that.

Senator HOLLAND. Your service is necessarily through the functioning of the land bank?

Mr. FISHER. Right.

Senator HOLLAND. And you want to be, therefore, identified so far as name is concerned with that land bank and with land bank service.

Mr. FISHER. Yes, sir.

Senator HOLLAND. All right.

Mr. FISHER. Stock purchases:

As you know, each farmer or rancher who obtains a land bank loan must join a national farm loan association and purchase stock in the association equal to 5 percent of the amount of his loan. The present law requires that he pay for this stock at the time his loan is closed and authorizes the bank to deduct the purchase price of the stock from the amount of his loan proceeds. This has the effect of securing the purchase price of the stock by the farm or ranch mortgaged to the bank and reducing the net amount of credit, exclusive of the stock purchase, which the member receives, to $61\frac{3}{4}$ percent of the normal agricultural value of his farm. We feel that this requirement is not necessary or proper and that, while the purchase price of the stock should properly be included in the total amount of the loan, it should be considered as adequate security for its purchase price independent of the farm or ranch, and that the farmer and member should be entitled to a full 65 percent loan on his farm or ranch, exclusive of the stock purchase. S. 1512 would make this change.

Senator HOLLAND. In other words, you think that the stock now has such an established value that it can serve as security for the investment through which the stock is acquired?

Mr. FISHER. That is exactly right.

Senator HOLLAND. And that the property having stood up under the rigid appraisement required, having been stated for its loan value at only 65 percent of that appraisal should allow the getting of a net loan in the amount of 65 percent for the purposes which the farmer or rancher is seeking to serve?

Mr. FISHER. That is exactly correct. The stock is actually worth book value considerably more than the \$5. We believe that it should be considered as security for itself. As a sidelight on this, just supposing that my neighbor wanted a \$20,000 loan. It is difficult for me as an NFLA director or our secretary-treasurer—whom we would, if this law passes, call manager—explain to him why we are making a \$20,000 loan and he gets \$19,000.

Senator HOLLAND. In other words, this is another feature of good will and general acceptance which you think is justified by the credit banks?

Mr. FISHER. Yes, sir.

Senator HOLLAND. As a matter of fact, isn't it true that the farm loan banks all have surpluses and that the stock in them and in their associations is worth more than par by the amount of surpluses.

Mr. FISHER. That is correct. I understand nationally that our stock is worth \$8.50.

Senator HOLLAND. \$8.50, instead of \$5.00.

Mr. FISHER. That is right.

Senator HOLLAND. So that there isn't any winking at the credit facts at all in changing this law as your propose so that the stock would be security for the purchase price.

Mr. FISHER. Perhaps for the matter of record I should say approximately \$8.50.

These technical figures should actually come from Mr. Gilmore.

Senator TALMADGE. Mr. Chairman, may I ask a question at that point.

Senator HOLLAND. Senator Talmadge.

Senator TALMADGE. Is that stock freely negotiable, Mr. Fisher?

Mr. FISHER. No, I think that was covered earlier to some extent by Mr. Edwards. If the loan changes hands, the stock may follow the loan. However, when the loan is paid off the stock must be retired.

Senator TALMADGE. What does the stockholder get for the stock? Does it pay interest?

Mr. FISHER. That varies among the different banks. I can actually only answer for my own district, which is the Spokane district. For the last several years the district bank has been paying to the national farm loan associations interest or dividends on the stock. This has varied year to year and then what the individual association does with this money is their business.

To clarify that, in my own association we have received from the bank, say, 5 percent. We have passed 4 percent on to our individual borrowers and held 1 percent for our own association.

Senator TALMADGE. Thank you. That is what I wanted to know about.

Senator WILLIAMS. Could I ask a question, Mr. Chairman?

Senator HOLLAND. Senator Williams.

Senator WILLIAMS. As I understand it, your mortgages are limited to 65 percent of the value——

Mr. FISHER. Normal appraised value.

Senator WILLIAMS. And out of the 65 percent that you loan under the present law they are required to pay a certain percentage for stock.

Mr. FISHER. That is correct.

Senator WILLIAMS. And use the stock and farm as collateral?

Mr. FISHER. That is right.

Senator WILLIAMS. I can appreciate your objective, but would not the same result be by raising the 65 percent to, say, 70?

Mr. FISHER. No; I would feel that that would not clarify it.

Senator WILLIAMS. Well, not from a public relations standpoint, but from the mathematics wouldn't you have the same?

Mr. FISHER. Well, not exactly, because when you say 5 percent of 65, you come up with 68 and a fraction.

Senator WILLIAMS. I wasn't getting into the exact percentage, but you could raise it to some point above the 65 and get the same answer.

Mr. FISHER. You could get the same result so far as amount of money is concerned.

Senator WILLIAMS. That is what I am speaking of. Is this 65 percent limited by law or is it by regulation?

Mr. FISHER. The 65 percent is limited by law.

Senator WILLIAMS. And it does take legislation to correct it in either instance?

Mr. FISHER. Right.

Senator WILLIAMS. Yes. That is what I wanted.

Senator TALMADGE. Mr. Chairman, to pursue Senator Williams' question, actually the only purpose the stock serves then is the additional collateral for the loan?

Mr. FISHER. Yes. That is a cooperative feature. To that extent I am guaranteeing my neighbors' loans.

Senator WILLIAMS. I am not asking these in opposition to what you are proposing, but I wanted to get it clear that it could be accomplished either of two ways.

Mr. FISHER. You could get more money either of the two ways, but we couldn't accomplish this matter of public relations.

Senator WILLIAMS. I appreciate that point; yes.

Senator HOLLAND. Isn't it true that it also serves to give a long-term ownership and permanent investment in the corporation or the capital structure in the case of the land bank? Take a loan of 20 years or 30 years with stock held at that time, that makes the borrower a member of the concern, a party of interest, one of the proprietors, and doesn't that accomplish, from the standpoint of carrying out user ownership, user control, and user administration the objectives set by Congress?

Mr. FISHER. That is very important, because when I talk to my neighbors about farm credit, it is our organization. If you borrow money from us, you will be a part of our organization.

Senator WILLIAMS. From a public relations standpoint, I am inclined to agree with what you are recommending. I think I would go along with it, but I was just pointing out, and I think we should understand that what we are in effect doing is raising the 65 level. I don't think I would have any objections to that, but I think we should—

Senator HOLLAND. Might I say that it seems to me that here is another feature that works right hand in hand with the objectives set up by the 1953 act and followed since that time by the acts of 1955 and 1956, of accomplishing user ownership, user management, and user control. Now under the old setup, stock ownership didn't create any right of control or administration of the organization, so that it seems to me that the stock now being worth well above par and representing an appropriate interest which continues throughout the ownership, that the freeing of this stock in the way that is suggested from the actual mortgage terms, the freeing of the investment which is required to acquire the stock, is completely in accord with the carrying out of the general objectives which I have named.

Senator WILLIAMS. I wasn't arguing with that point. I was just getting it clear that as I understand under the existing law you are limited to 65 percent of the appraised valuation of the farm, including the valuation of the stock which will be bought in conjunction with the loan, and if we accept this proposal, which I am most sympathetic to, we would in effect go beyond the 65 percent for the valuation of the farm and the stock. We would be taking the valuation of the stock into consideration as we raised that above the 65.

Mr. FISHER. Yes; but you are only loaning actually on the farm. The 5 percent loaned for stock is secured by the stock itself which is worth the money and I am wondering if here isn't another point which others in farm credit are more familiar with than I.

But when we go into the money market—we now say we loan on farms 65 percent of normal agricultural value and certainly that should be more acceptable than if we went to them and said we loan 70 percent.

Senator WILLIAMS. I am not disputing it. I said I was in agreement with you, but I still don't think we can get away from the point that we are raising the 65 and I am not opposing it, but I think we should know what we are doing.

If a farmer is worth \$10,000, under the existing law, as I understand it, you can loan the man \$6,500, but he would be required to buy how much stock out of it?

Mr. FISHER. Five percent.

Senator WILLIAMS. Five percent. We would buy \$325 worth of stock and he would only get \$6,175. Now if we passed this bill—and that would mean that he would have a \$6,500 loan on the farm and the stock combined, if we passed this bill, as you are suggesting—and I am in favor of it—he could get the \$6,500 plus a loan on the stock.

Mr. FISHER. That is correct.

Senator WILLIAMS. Which to some percentage degree means that you are increasing your \$6,500 on the combined total.

Mr. FISHER. That is correct.

Shall we go on to loan limits?

We are further suggesting that the maximum loan limit of \$200,000 in the present law be removed so that a land bank may make a loan of any size which it and the concerned national farm loan association believe sound creditwise and within the 65-percent loan limit prescribed by the law. We generally do not believe that the size of any farmer's or rancher's operation and his related credit needs should exclude him from membership in our cooperative system. In fact, we believe that serving large operators on an equal basis supports our ability to serve the small operators.

Senator HOLLAND. Are there questions on this particular matter, the question of removing the present limitation in size of \$200,000?

Senator TALMADGE?

Senator TALMADGE. I would like to ask what percentage of the loans in your area, if you are familiar with it, approach that figure?

Perhaps Mr. Gilmore maybe could answer it.

Mr. FISHER. I heard that figure yesterday. We had it, and Mr. Gilmore has it.

Senator HOLLAND. Mr. Gilmore, could you answer that question?

Mr. GILMORE. Yes, Mr. Chairman.

Senator TALMADGE. First, what is your average loan and what percent of your loans are maximum, Mr. Gilmore?

Mr. GILMORE. Our average loan this year was ten-thousand-four-hundred-odd dollars; let's say, \$10,400.

Senator HOLLAND. May I ask a question there. Do you mean average of new loans or average of all loans outstanding?

Mr. GILMORE. No; average new loans, Mr. Chairman.

The average of all loans outstanding is about \$5,600. Those are all loans on the books.

The percent of loans—your second question was—that have been made at the maximum amount?

Senator TALMADGE. Yes, that approach, the maximum.

Mr. GILMORE. There have been 64 \$200,000 loans made since the act was amended in 1955, increasing the limit at that time from \$100,000 to \$200,000.

Senator HOLLAND. You mean 64 made by all 12 banks?

Mr. GILMORE. All 12 of the banks, yes, sir.

Senator WILLIAMS. What percentage would that be of your total?

Mr. GILMORE. In that period we made, Senator, in the neighborhood of 150,000 loans, 64 of 150,000 would get down to a very small fraction of 1 percent.

Senator WILLIAMS. In dollars how did that figure?

Mr. GILMORE. In dollars I don't have the figure; 64 times \$200,000 is \$12,800,000.

Senator WILLIAMS. Do you have the percentage of your dollar volume of business that is in excess of, say, \$100,000. Do you have that?

Mr. GILMORE. No, sir, I don't.

Senator WILLIAMS. Could you furnish that to us?

Mr. GILMORE. I think we can put that together, yes.

Senator HOLLAND. I suggest that you furnish that for the record at this place in your testimony.

Mr. GILMORE. Yes, sir.

(The information referred to is as follows:)

LOANS BY FEDERAL LAND BANKS IN EXCESS OF \$100,000

During the last 3 years, 503 of the 150,000 loans made by the Federal land banks exceeded \$100,000. This is about one-third of 1 percent of the number of loans closed. Of the total amount loaned, or \$1,330 million, the aggregate of the loans over \$100,000 is estimated at \$67 million, which is about 5 percent of the total.

Senator WILLIAMS. Are you speaking for your district now or national?

Mr. GILMORE. No, I am speaking nationally.

Senator HOLLAND. Mr. Gilmore occupies the position of director of the land bank portion of the Farm Credit Administration, and as a Deputy Governor, having charge of that particular branch of the activity. Is that correct, Mr. Gilmore?

Mr. GILMORE. That is correct.

Senator HOLLAND. So your figures would be figures that would relate to all 12 of the land banks?

Mr. GILMORE. Yes, sir.

Senator HOLLAND. And their total operation?

Mr. GILMORE. Yes, sir.

Senator WILLIAMS. How do you handle loans which may be in default? Surely you have come.

Mr. GILMORE. Yes, sir, we have a four point collection policy which provides that if the borrower is doing his honest best, if he has the ability to pay out, if he is applying a reasonable portion of the proceeds of the farm to the loan—at the moment I forget the fourth one—we will go along with him.

Senator TALMADGE. You don't foreclose till the last extremity.

Mr. GILMORE. That is correct.

Senator WILLIAMS. What I was getting to is when you reach the last extremity and there is still an outstanding balance you haven't collected, how do you work it out? Do you mark it off as a bad debt? From the bookkeeping standpoint how do you handle it?

Mr. GILMORE. Place it in foreclosure, or could accept a deed and any losses are charged to the surplus or earnings of the bank.

Senator WILLIAMS. That is what I was getting at. When you reached the point upon which there is no recovery or it has been fore-

closed and you sold the property you do mark it off and charge it against the property, is that correct?

Mr. GILMORE. Yes, sir.

Senator WILLIAMS. It is not carried as a continuing account?

Mr. GILMORE. No, sir.

Senator WILLIAMS. In some instances we found it was and I was wondering about this one.

Senator TALMADGE. Would you yield at that point, Senator?

Senator HOLLAND. Senator Talmadge.

Senator TALMADGE. Of the ones that are foreclosed, what percentage of those sold is sufficient to pay the entire loan and what percentage have sold for less?

Mr. GILMORE. How long a period—back how far, sir?

Senator TALMADGE. Say the last 10 years or any reasonable period of time.

Mr. GILMORE. In the last 10 years we have had literally just a handful of foreclosures systemwise. I would say picking a figure about 321. I haven't got the figures at my fingertips and the vast majority of those in the last 10 years have been sold at our investment or above our investment.

Senator TALMADGE. If they are sold above your investment was the difference in the proceeds paid to the borrower?

Mr. GILMORE. No, sir.

Senator TALMADGE. Do you keep it?

Mr. GILMORE. Yes, sir.

Senator WILLIAMS. How much have you written off or lost in the past 10 years? Could you furnish that? You may not have it now but could you furnish it for the committee?

Mr. GILMORE. I can, sir. It is just literally pennies, practically nothing in the last 10 years.

Senator HOLLAND. If that is to be furnished, I think it ought to be broken down among the 12 institutions because there might well be a situation under which some institutions have had no loss to be written off at all.

Mr. GILMORE. That is correct.

Senator HOLLAND. Others have had some?

Mr. GILMORE. That is correct.

Senator HOLLAND. If you will furnish that particular figure by institutions I think it would be better.

Senator WILLIAMS. Broken down into districts. I think that is a good suggestion.

Mr. GILMORE. Yes, sir.

(The information referred to is as follows:)

Losses by Federal land banks during 1949 through 1958 on real estate acquired as a result of loans in default

<i>Bank</i>	<i>Losses</i>	<i>Bank</i>	<i>Losses</i>
Springfield-----	\$1, 620	Omaha-----	0
Baltimore-----	0	Wichita-----	\$3, 471
Columbia-----	0	Houston-----	0
Louisville-----	0	Berkeley-----	3, 546
New Orleans-----	0	Spokane-----	182
St. Louis-----	3, 040		
St. Paul-----	0	Total-----	11, 859

NOTE.—Figures given represent only net losses for years in which there was a net loss and do not reflect net profits in other years.

Senator HOLLAND. All right, Mr. Fisher.

Mr. FISHER. One other point that I think I might say in support of lifting the loan limits is the fact that production credit associations do not have a loan limit.

Senator HOLLAND. Nor do banks for cooperatives.

Mr. FISHER. Nor do banks for cooperatives.

Senator HOLLAND. In other words, you think since these two agencies, which are part of the Farm Credit Administration, do not have loan limits and since they have not either of them accomplished anything like so much as your group in retiring completely Government investments, and operating on your own or on money which you borrow under your own credit, that you are at least as much entitled to have no limitation as the other two. Is that your point?

Mr. FISHER. That isn't exactly the point. The point would be that it has been successful. You go back and talk about why we have accomplished more. After all, we have been in business for more than 40 years and they have not had the long history that we have had. The point is, it could be said, that we are discriminated against.

Senator HOLLAND. Well, you have operated with the people in agriculture generally who had capital assets by way of farms, groves, ranches, and the like which justified the extension of credit on the very conservative terms which you followed and that is, of course, a selective group in agriculture.

Mr. FISHER. Speaking relative to the consolidation section 4(e), which we mentioned, we have carefully studied the provisions of section 4(e) of the bill authorizing the Farm Credit Administration to order consolidation or merger of national farm loan associations. We realize that in isolated cases there have been inequities that this legislation might correct. We believe, however, that this provision generally creates an impression of inconsistency with the basic policies of our system. We at this time believe that section 4(e) should be stricken from S. 1512.

OTHER PROVISIONS OF S. 1512

There are other provisions in the bill for amendments to the law which we believe are necessary or proper to serve the best interests of farm credit and American agriculture. I am sure that the officials of the Farm Credit Administration will be better able than I to explain their purpose and objectives and the need therefor.

Relative to S. 1513 status of personnel, it is our committee's view that S. 1513 should be enacted if we are to pursue the policy of Congress as stated in the Farm Credit Act of 1953 to have a truly member-owned and managed farm credit system. At the present time our national farm loan association employees are under social security, with a coordinated supplemental retirement and insurance program established by the district national farm loan associations. Our land bank employees generally are under the civil service retirement system. This program does not lend itself too readily to the transfer of personnel from the association to the bank and vice versa, as the need for such transfers normally develops.

Senator HOLLAND. By that, in other words, you mean that in your associations your personnel are regarded as private persons, not as governmental employees and have the right to do and are building up

their social security retirement rights whereas if you want to transfer one of them—he has done well there—over to the regional bank, he then transfers to a group which is still regarded as under civil service and still regarded as under Government employment though really he is not. That is your point, is it?

Mr. FISHER. That is the point.

Actually, I would prefer not to attempt to explain all this because there are others in the central office here that are more familiar with it.

However, it is our understanding and our feeling that there is a further trend to place employment completely within the district, on the district boards.

I will continue with this statement, however.

The situation in our opinion would be improved if all employees were under a single personnel program. Our endorsement of such a change in personnel programs has always been on the condition that the retirement program and rights of existing employees would be preserved and maintained for them so long as they remain with the land bank system. Most of the land bank employees are career employees with long years of service, and we do not believe that it would be fair or equitable to disturb their individual retirement program during their individual periods of service. The enactment of this bill would start us on the road toward a desirable goal and at the same time preserve the rights of our existing employees on a reasonable basis.

Senator HOLLAND. In other words, if I understand that, if you have an employee in a regional land bank who, under civil service, is approaching retirement as a civil service employee, you don't want to disturb or defeat in any way the progress he has made, but you want to set up the program which will become by degrees more and more in operation as to your personnel so that ultimately you will have all the personnel under one system. Is that it?

Mr. FISHER. That is exactly right. We feel that this is furthering the purpose as set forth in the act of 1953.

Senator WILLIAMS. I think I understand what you are trying to do. Would you take a hypothetical case and explain how it would work under existing law when you transferred Joe from the Federal land bank and how would the provisions of the bill change it?

Mr. FISHER. I would prefer to refer that actually to one of the bank personnel. I would prefer not to attempt to do that. I have a general knowledge of it.

Senator WILLIAMS. I would like to have a case followed through both under existing law and how this bill would change it, just follow a hypothetical case.

Mr. FISHER. I am sure that Mr. Bagwell or some of the members of the office here—

Senator TALMADGE. Mr. Chairman, if the Senator would yield, I asked Governor Tootell, when he returns before the committee, to be prepared to address himself specifically to some of the points that I raised earlier in the hearing, I believe, when you were not here at the time.

Senator WILLIAMS. Fine.

Senator HOLLAND. Yes, they were raised by Senator Talmadge, while Mr. Edwards was testifying and Mr. Edwards, as I recall it,

took the position that this was a technical matter in which the civil service employee setup on the one hand was being discussed and on the other hand a private employee situation and he would rather have those dealing with that technical subject to explain the details.

And as I understand it, Governor Tootell has been put upon notice that that subject will be explored fully when he reappears before this committee. We are trying today to give priority to the witness who will have to leave Washington.

Senator TALMADGE. There is a whole maze of points involved there, including veterans' preference, the Hatch Act, and various other things.

Senator HOLLAND. That is correct.

Well, now, Senator Talmadge, do you have questions for this witness?

Senator TALMADGE. No questions.

Senator HOLLAND. Senator Williams?

Senator WILLIAMS. No questions.

Senator HOLLAND. We appreciate your staying over and we understand now that your testimony has been given as the expression of your 12-man advisory board, is that correct?

Mr. FISHER. That is correct.

Senator HOLLAND. If there are any of the members of that advisory board present who do not agree with that understanding, well, now is the time for them to say so.

(No response.)

Senator HOLLAND. Nobody wishes to be heard, so we take it that you do speak with authority for your 12-man advisory board and we thank you very much.

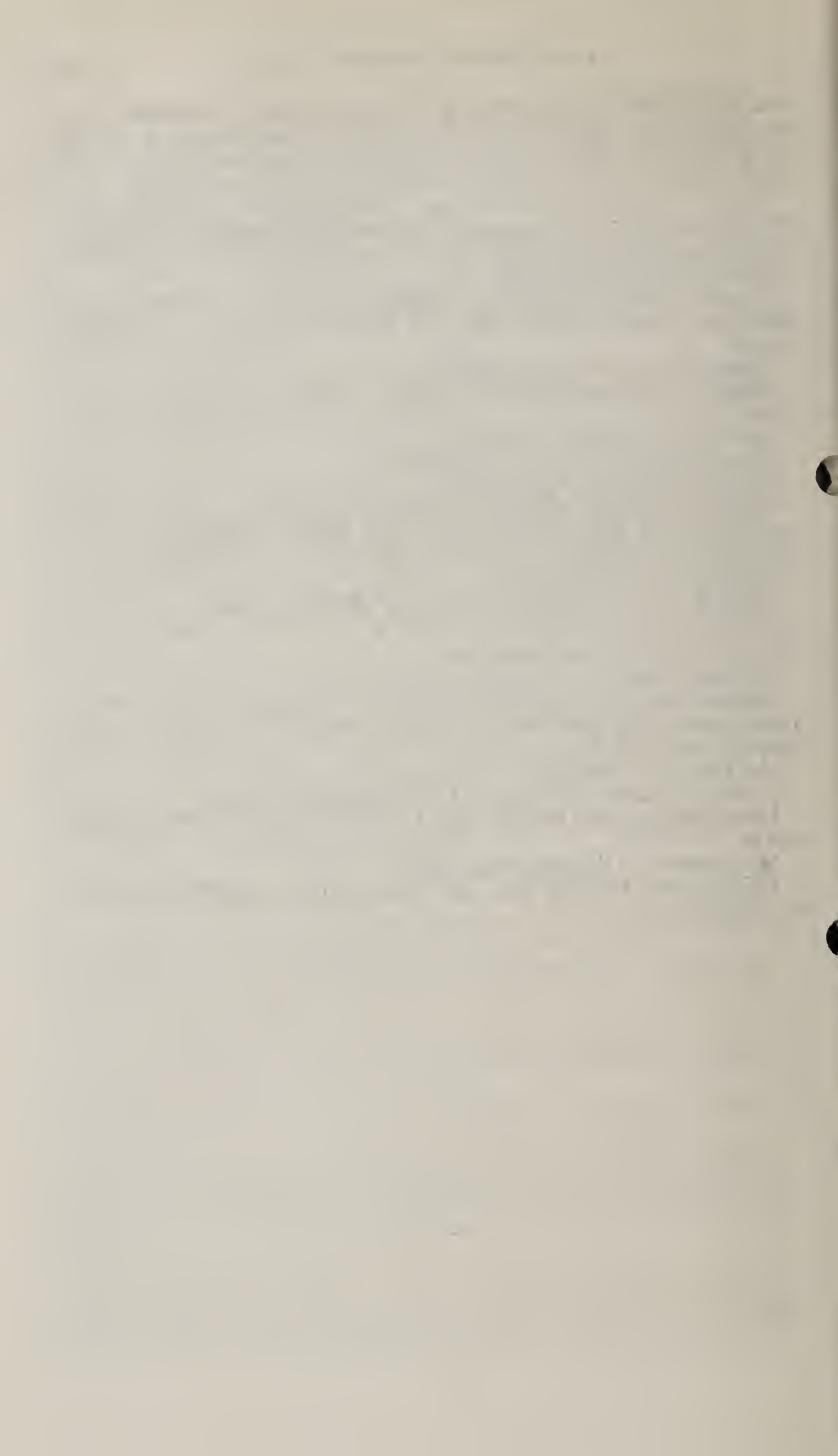
Mr. FISHER. Thank you.

Senator HOLLAND. All right. The committee will recess.

Later hearings will be held and, Governor Tootell, we will advise you as to the date.

Mr. TOOTELL. All right, thank you.

(Whereupon, at 12:05 p.m., the subcommittee recessed, subject to call of the Chair.)



FARM CREDIT ADMINISTRATION

MONDAY, APRIL 20, 1959

U. S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL CREDIT,
AND RURAL ELECTRIFICATION OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met, pursuant to call, at 10:05 a.m., in room 324, Old Senate Office Building, Hon. Spessard L. Holland presiding.

Present: Senators Holland, Talmadge, and Young of Ohio.

Senator HOLLAND. The subcommittee will please come to order.

This is a continuation of the hearing on S. 1512 and S. 1513.

I will first ask that the approving report of the Comptroller General on S. 1512 be placed in the record at this point.

(The document referred to follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, April 17, 1959.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: By letter of April 2, 1959, you requested us to report on S. 1512.

The primary effect of the bill, if enacted, would be the transfer of responsibility for making appraisals for Federal land bank loans from the Farm Credit Administration to the Federal land banks. Under the provisions of this bill, the Farm Credit Administration, which would continue to establish appraisal standards and review appraisals made by the land bank appraisers, could re-assume the responsibility for making such appraisals whenever it found it advisable to do so. It appears that such provisions would be consistent with the policy stated in the Farm Credit Act of 1953 (67 Stat. 390) to encourage borrower participation in the management and control of the system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration. We are in accord with the proposed transfer of responsibility for making appraisals and, therefore, we have no objection to the bill.

Sincerely yours,

JOSEPH CAMPRELL,
Comptroller General of the United States.

Senator HOLLAND. Our first witness this morning is Gov. R. B. Tootell, of the Farm Credit Administration.

STATEMENT OF ROBERT B. TOOTELL, GOVERNOR, FARM CREDIT ADMINISTRATION—Resumed

Mr. TOOTELL. Senator Holland, when I was previously before the committee, I ended my testimony near the top of page 10 and was just ready to start a discussion on the provisions of S. 1512.

If it meets with the approval of the committee, I would hope to just read the rest of my statement and, as a matter of fact, I believe that will answer most of the questions which the constituent of Senator Talmadge raised in a letter to Senator Talmadge and which he asked specifically that we came prepared to answer at this session.

Senator HOLLAND. You may proceed.

Mr. TOOTELL. The bill has as its principal purpose the transfer from the Farm Credit Administration to the Federal land banks of the responsibility for making appraisals of farm properties offered as security for Federal land bank loans.

A step in this direction was taken upon enactment of the Farm Credit Act of 1955 which authorized the designee appraisal program of the land banks.

Prior to enactment of the 1955 act, a Federal land bank could not make a loan until the farm offered as security was appraised by an appraiser appointed by the Farm Credit Administration (called the land bank appraiser).

Under the designee program authorized by the 1955 act, a land bank may, with the approval of the Farm Credit Administration, make loans on the basis of an appraisal by a person designated by the land bank for that purpose.

Generally, the person so designated is the secretary-treasurer of the local national farm loan association with whom the loan application is filed or some employee of the bank qualified to do that type of work.

The law provides that loans so made may be used as collateral for Federal land bank bonds, but a written report on the security by a land bank appraiser employed by the Farm Credit Administration must be obtained within 1 year. Thereafter, the loan cannot be carried as bond collateral for more than 65 percent of the normal agricultural value of the security as established by such land bank appraiser.

Furthermore, if the report of the land bank appraiser shows that the security does not meet the standards prescribed by the Farm Credit Administration for a land bank loan, the loan may no longer be carried as bond collateral in any amount.

Under the terms of the bill, the Federal land banks would be authorized to make loans on the basis of appraisals by persons appointed or designated by the banks for that purpose.

The bill would repeal the present requirement that each land bank loan must be supported by an appraisal by a land bank appraiser employed by the Farm Credit Administration, made either before or after the loan is closed. Thus, all responsibility for making appraisals would be transferred from the Farm Credit Administration to the Federal land banks.

The Farm Credit Administration, however, would continue to establish appraisal standards for land bank loans and ascertain that such standards are followed. A loan made on the basis of an appraisal by a person appointed or designated by a Federal land bank could be used as collateral for Federal land bank bonds and no second appraisal would be required.

However, if a loan upon review is found not to conform to appraisal and loan standards prescribed by the Farm Credit Administration it would not be credited as bond collateral except in such amount as the Farm Credit Administration might approve.

Also, the bill provides a means for the Farm Credit Administration to withdraw the authority for a land bank to be responsible for the making of appraisals and appraisal standards studies should circumstances arise that would make it advisable for the Farm Credit Administration to reassume that responsibility.

This could be applied, in part or all of the appraisals, for loans made by one or more of the land banks if deemed necessary.

The bill would also transfer to the Federal land banks a staff of some 230 appraisers now employed by the Farm Credit Administration. Some 36 other appraisers would be retained by the Farm Credit Administration to establish appraisal standards and make reviews and investigations concerning compliance with appraisal standards and the quality of first mortgages securing Federal land bank bonds. The appraisers so retained would be known as farm credit appraisers.

Section 3 of S. 1512 would authorize the transfer of the appraisers to the land banks. It is the intent of the language of this section to give the Farm Credit Administration authority to select the appraisers who are to be transferred and those who are to be retained without regard to the provisions of any other laws relating to the transfer or separation of Federal employees.

This discretion is considered necessary because of the change in nature of the duties of the relatively small staff of appraisers to be retained without regard to the provisions of any other laws relating to the transfer or separation of Federal employees. This discretion is considered necessary because of the change in nature of the duties of the relatively small staff of appraisers to be retained by the Farm Credit Administration.

Much of the success of the new method of operation on appraisal matters will depend upon the ability of the farm credit appraisers to obtain the cooperation of the land bank appraisal staffs in following uniform appraisal standards in making appraisals for loans so that the Farm Credit Administration will not have to invoke measures to enforce compliance with its standards.

For this purpose, the Farm Credit Administration will select for retention those of its present staff of appraisers who have demonstrated that they have the qualifications to perform the new type of duties as farm credit appraisers.

It is the intent of section 3 of the bill, also, that each appraiser shall have credited to his leave account in the land bank to which transferred all the annual and sick leave credits in his Farm Credit Administration leave accounts as of the date of transfer. Thereafter, the appraiser would be subject to the leave regulations of the bank to which transferred.

Section 3 would require that each transferred appraiser be transferred at his salary rate current at the time of the transfer. It is the intent also to apply to the appraiser thereafter the salary regulations applicable to other bank employees, including any adjustments that would be appropriate in any change of duties or responsibilities, or as a reward for efficiency and length of service.

The appraisers transferred to the banks would not thereafter have competitive civil service status in their bank positions.

The Federal land banks have been engaged in the farm loan business for more than 40 years. We believe that the banks have now

gained enough experience in sound lending practices to assume responsibility for directing the making of appraisals for loans under standards established by the Farm Credit Administration as a part of their management function.

Thus the bill would further carry out the policy of the Farm Credit Act of 1953 to encourage and facilitate increased borrower participation in the management of the banks and local associations.

Senator HOLLAND. Will you yield right there?

Mr. TOOTELL. Yes, sir.

Senator HOLLAND. I note that the report of the Comptroller General approves this provision and a further comment says that, in effect, if this should go wrong that the Farm Credit Administration always has the authority, with reference to any particular bank, to reclaim the right to make its own appraisal.

Mr. TOOTELL. That is a specific provision of the proposed legislation, Senator Holland.

Senator HOLLAND. I believe Senator Talmadge had some questions perhaps on this provision. Would you care to ask them at this time, Senator?

Senator TALMADGE. I think if the Governor would finish his testimony, then there will be several phases of his testimony that I will go into, Mr. Chairman.

Mr. TOOTELL. Thank you. S. 1512 also contains a few additional amendments to existing law. The law now provides that no Federal land bank bonds shall bear a rate of interest in excess of 5 percent per annum.

From the spring of 1955 to the fall of 1957, the Federal land banks had to pay increasingly higher interest rates on successive issues of their bonds. The highest rate paid was on an issue sold for delivery on October 1, 1957, at a net cost to the banks of 4.89 percent. Interest rates then declined rapidly for a number of months but are now again showing a substantial increase. The most recent issue of Federal land bank bonds was sold on March 10, 1959, at a net cost of 4.39 percent for 9-year bonds.

If the cost of funds in the money market should exceed the 5-percent legal limit for Federal land bank bonds, and this appears to be a distinct possibility, the land banks would not be able to sell their bonds to refund maturing issues or to obtain the necessary funds to meet farmers' demands for new loans. Consequently, we feel compelled to ask that the 5-percent interest rate limit applicable to Federal land bank bonds be removed. This change in the law will not result in farmers having to pay higher interest rates. It simply will enable the land banks to remain in a position to serve their real estate credit needs.

Interest rates charged on Federal land bank loans necessarily must be sufficient to cover the cost of the loan funds to the banks and operating expenses. The banks must increase the interest rates charged on new loans as the cost of the loan funds increases.

Because of the sharp decline in interest rates on Federal land bank bonds in the latter part of 1957 and the first part of 1958, most of the land banks reduced their interest rates on loans during the early months of 1958.

Within recent months, however, two of the Federal land banks have had to increase their interest rates, and at the present time five of the

banks are making loans at 5½ percent and the other seven at 5 percent. We therefore ask that the 6-percent interest rate limit on land bank loans also be removed. The removal of this limitation would, of course, have no effect upon the interest rates charged on loans now outstanding. It would also not increase the rates on new loans, but would enable the banks to do so if the cost of money in the future should require an increase.

The bill would also not disturb other provisions of law under which the loan interest rates generally are subject to the approval of the Farm Credit Administration.

Under present law, the amount of land bank loans to any one borrower is limited to \$200,000 and loans exceeding \$100,000 must have the approval of the Farm Credit Administration.

The bill would amend the law to remove the \$200,000 maximum loan limit, but would make no change in the requirement that any loan exceeding \$100,000 must be approved by the Farm Credit Administration.

With the increase in mechanization of agriculture, farms are becoming larger and the total investment per farm is also increasing.

Some farmers now need long-term loans in excess of \$200,000 particularly in timber-farming areas, and they would find the land bank loans with favorable interest rates and repayment terms helpful.

The proposed amendment would enable the land banks to serve the constantly increasing number of enlarged farms.

I should add that the experience of the land banks in making loans to operators of the larger farms generally has been favorable, since such farms usually are operated efficiently and the security is adequate. There is the further fact that the cost of servicing per \$100 is proportionately less on the larger loans, and expansion of the service of the banks to include more large operators should increase the earnings of the banks and thereby benefit all land bank borrowers.

I am sure you realize that interest earned on many of the smaller loans is not sufficient to pay the cost of handling them. The larger loans help to carry many small loans in the \$1,000 to \$3,000 classification.

The Federal Farm Loan Act requires that Federal land bank loans shall be repaid under an amortization plan providing for a fixed number of annual or semiannual installments.

Thus, under present law, a borrower must make an installment payment on his loan at least once each year. The bill would amend existing law to permit the land banks to make such loans on an unamortized or partially amortized basis under rules and regulations issued by the Farm Credit Administration.

Generally, amortized loans are considered to be in the best interest of both borrower and lender. However, some land bank borrowers, after paying down their loans to a point, would prefer to use their income for farm improvement or other expenses.

Also, in some instances, older borrowers would prefer to have a certain amount of debt against their farms and to use the money for living expenses which would otherwise go to reduce the debt.

There are other farmers, some of whom are engaged in timber production, whose income during certain periods is insufficient to make both interest and regular installment payments on their loans.

Then there are still others who, like many business concerns prefer to carry on their normal operations with a certain amount of mortgage indebtedness against the farm. The land banks could better serve the needs of all these farmers if they were authorized to make unamortized or partially amortized loans.

It is expected that the banks would use this authority only in special situations such as those described and they would not be permitted to do so in any case if there would likely be a deterioration in the security for the loan.

Furthermore, the authority of the banks to make unamortized or partially amortized loans would be subject to close supervision by the Farm Credit Administration under authority given in the bill specifically to issue rules and regulations relating to such loans.

A borrower from a Federal land bank is required to subscribe for shares of stock in the national farm loan association through which the loan is made in an amount equal to 5 percent of the face amount of the loan.

The law provides that the loan may include an amount necessary to pay for the required stock but the additional sum for the purchase of the stock must not permit the loan to exceed the limit of 65 percent of the normal value of the farm offered as security, a limit applicable generally to all land bank loans.

Under the terms of the bill, the additional sum for the purchase of stock could be over and above the 65 percent limitation.

Farmers generally understand that they may borrow up to 65 percent of the normal value of their farms to meet their needs, but they often do not understand why the sum to purchase stock in the national farm loan association must be deducted from the amount of the loan, particularly since the stock is required to be held by the association as collateral security for the repayment of the loan.

The amendment proposed in the bill would remove the basis for this misunderstanding on the part of farmers and eliminate a constant source of embarrassment to the banks and associations.

The slight increase in the amount loaned to 68.25 percent of the normal value would not, in our opinion, affect the continued sound operation of the Federal land banks and national farm loan associations or the adequacy of the collateral pledged for bonds issued by the land banks.

Section 4(e) of the bill would authorize the Farm Credit Administration to consolidate or merge two or more national farm loan associations without the approval of the associations involved.

Since the bill was submitted, we have received a number of objections which indicate that the associations do not fully understand the reasons for inclusion of this provision in the bill.

It now appears that this provision was not adequately explained to the associations and that further consideration of it is necessary. Therefore, the Federal Farm Credit Board, at its meeting this week, instructed me to request the committee to delete section 4(e) from S. 1512. I hope that the committee will grant this request.

The bill would also change the name of the national farm loan associations to "Federal land bank associations," and the title of the secretary-treasurers of these associations to managers.

Although the Federal land banks have been making loans through local, national farm loan associations for more than 40 years, there are many farmers who do not yet identify the associations as the source for loans of the Federal land bank system. We believe that the change in name of the associations will help correct this situation and result in improved public relations. The title "secretary-treasurer" for the person in charge of the association is outdated. Such a person is, in fact, the managing officer of the association and we recommend that the title be changed accordingly.

I should also mention an amendment in the bill relating to short-term credit. We propose the addition of a sentence to section 23 of the Farm Credit Act of 1933, as amended, to make clear that the production credit associations may charge such rates of interest on their loans as are authorized by the Federal intermediate credit bank of the district.

It is intended that the associations would not be limited by the maximum interest rates allowed under the laws of the State in which they operate. We have never understood that the banks and associations of the farm credit system are bound by the maximum interest rates allowed under State laws, but in view of the present language of section 23 of the Farm Credit Act of 1933, it seems advisable to make this clear in the case of the production credit associations.

Senator HOLLAND. A question at that point. That paragraph is the first one in your statement thus far, that I have heard at least, which relates to other units than the land bank.

Mr. TOOTELL. The Federal land banks.

Senator HOLLAND. And the associations which are members or a part of that system.

Mr. TOOTELL. That is correct, Senator Holland.

Senator HOLLAND. This relates to the Federal intermediate credit banks and the production credit system.

Mr. TOOTELL. The associations, yes, sir.

S. 1513, the second bill before the committee, concerns primarily matters relating to personnel of the district banks and the central bank for cooperatives.

The Farm Credit Act of 1953 you will recall, declared it to be the policy of Congress to give borrowers greater participation in the management of the banks. This bill would further that policy by giving the board of directors of each bank authority to employ personnel and to determine their compensation and other conditions of employment independent of most of the laws relating to Federal employees generally.

There would, however, be no change in the present law which makes the compensation of all bank employees, and the employment of most of them, subject to the approval of the Farm Credit Administration. Although the law does not specifically make the employment of Federal land bank employees subject to Farm Credit Administration approval, bylaws of the banks must be approved by the Governor of the Farm Credit Administration and a standard bylaw provision makes all such employments subject to the approval of the Farm Credit Administration.

Thus, under the terms of the bill, the bank would have greater independence in personnel management but there would continue to be

Federal supervision over all the banks and their personnel by reason of the general supervisory authority of the Farm Credit Administration over the banks and the specific authority vested in the Farm Credit Administration to approve employment and compensation of bank employees.

In addition to giving the banks greater authority in the field of personnel management, the bill would also clarify the status of these banks and their employees in relation to certain laws which apply generally to the United States and its employees.

In a recent opinion dealing with the application of the specific leave statute to district bank employees, the Comptroller General of the United States observed that the status of the officers and employees of the banks, in relation to laws generally applicable to Federal employees, has long been a vexing question. He, therefore, suggested that the status of the bank employees, in relation to all such statutes, be resolved by legislation.

There are, of course, a number of Federal laws relating to the United States and its employees which clearly do not now apply to the farm credit banks and their employees. This is because they are specifically exempt or because the particular law applies only to Government-owned or controlled corporations. For example, bank employees are exempt from the Classification Act of 1949; the Travel Expense Act of 1949; the Annual and Sick Leave Act of 1951, and the Federal Employees' Group Life Insurance Act of 1954.

Bank employees are not in what is usually known as the competitive or classified civil service. They are in schedule A of the excepted or unclassified civil service by action of the Civil Service Commission; pursuant to authority given the Commission to grant exceptions from the competitive civil service.

This exception extends until July 31, 1961, for the express purpose of providing an opportunity for consideration of clarifying legislation.

We understand that if this bill or similar legislation is not enacted before the present exception from the competitive civil service expires, the Civil Service Commission will make a determination as to whether or not district bank employees are Federal employees. We believe that a matter of this importance should not be resolved by administrative determination, but by legislation.

Senator HOLLAND. Does the Civil Service Commission make any recommendation with reference to this legislation?

Mr. TOOTELL. The Civil Service Commission cleared this legislation to the Bureau of the Budget.

Senator HOLLAND. Was that clearance an approval?

Mr. TOOTELL. Yes.

Senator HOLLAND. We will request the Civil Service Commission to report directly to us on the bill.

I will ask the clerk to please secure that report and place it in the record.

(The report is as follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., April 23, 1959.

Senator ALLEN J. ELLENDER,
Chairman, Senate Agriculture and Forestry Committee,
U.S. Senate, Washington 25, D.C.

DEAR SENATOR ELLENDER: At the request of a member of your committee's staff, we are submitting herewith the views of the Civil Service Commission on S. 1513,

a bill "To clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees, and for other purposes."

The principal purpose of the draft bill is to provide that officers and employees of the lending institutions under the supervision of the Farm Credit Administration shall no longer be considered as Federal employees for all personnel purposes other than retirement. With respect to retirement, the bill provides: (1) Those officers or employees subject to the Civil Service Retirement Act on December 31, 1959, would retain such coverage as long as they remained in bank employment without break in service; (2) persons having civil service retirement coverage in other employment on December 31, 1959, and subsequently appointed to bank positions without a break in service would remain under the Retirement Act; (3) persons who were once subject to the Retirement Act as bank employees could, after a break in service and upon later appointment to bank positions, elect to secure retirement coverage; and (4) officers and employees not having retirement coverage on December 31, 1959, and those appointed after that date, would not acquire such coverage.

The Commission endorses the basic purposes of the bill, but objects to the provisions which would permit employees of these organizations to continue under the Civil Service Retirement Act.

Because we concur with the position that employees of these institutions are to be considered as non-Government employees, we cannot agree with the proposal that some of them continue to be covered by the Civil Service Retirement Act. The Civil Service Retirement Act establishes a staff retirement system as part of the personnel program of the United States. The system is designed solely for the retirement of Federal and District of Columbia employees. It is intended to provide benefits as an award for faithful service to the Government. All of its obligations and all of its benefits stem directly from the employer-employee relationship which exists between the United States and the employees. Annuity benefits are given only for periods of service in this employer-employee relationship.

To depart from this concept would necessitate the substitution of some other criterion as to when the United States should be obligated to provide retirement coverage and benefits for periods of non-Federal employment. We do not believe any line could be drawn which would in fairness distinguish between different groups of non-Federal employees.

We do not believe that our position in this matter would be unfair to the employees of these institutions. The Retirement Act vests in an employee with at least 5 years' civilian employment a right to an annuity beginning at age 62, thus fulfilling any reasonable obligation the Government might have to provide retirement benefits to an individual who spends only a part of his working career in the Federal service. Employees with 30 years of service who attain the age of 55 could receive immediate annuities under the act. Furthermore, since separation from the Federal service (resulting from passage of S. 1513) would be involuntary, employees who had served 25 years or who had reached age 50 and completed 20 years of service would be eligible for immediate annuity. These annuities would be payable regardless of whether the individuals later become entitled to social security benefits and benefits under the bank's retirement system.

If the banks desire to guarantee that a possible loss does not occur, their retirement plans could incorporate a provision whereby the benefit, when combined with social security and civil service retirement benefits, could not be less than what would have been payable to the employee had he remained under the Civil Service Retirement Act.

The Bureau of the Budget advises that although it has no objection to the submission of this report to your committee, the Bureau cleared for transmittal to Congress the Farm Credit Administration's draft bill which has been introduced as S. 1513 and which provides for Retirement Act coverage for these employees after their Federal status is terminated.

By direction of the Commission:

Sincerely yours,

ROGER W. JONES, *Chairman.*

Mr. TOOTELL. Mr. Bagwell has reminded me that the Civil Service Commission had only one objection to this proposal. They objected to the provision in here which would keep the present employees of

the 37 district banks who now are under civil service retirement, under retirement until they retire or otherwise leave the employ of the banks.

Senator HOLLAND. I think that will be a matter of policy which the committee might well have before it.

Do you have any suggestion on that, Senator Talmadge?

Senator TALMADGE. I would like for you, Governor, to repeat what the Civil Service Commission objection was.

Mr. TOOTELL. Well, since 1942 following the passage of the Ram-speck Act the employees of these district farm credit banks and the central bank for cooperatives have been judged to be Federal employees insofar as the Civil Service Retirement Act was concerned, and to be eligible for it. Practically all of the employees of the district banks have been under the Civil Service Retirement Act.

Now this legislation would provide that those people who are presently in the employ of the district banks and the central bank would continue under civil service retirement; that any new employees of the district banks, after the effective date of this legislation, would not be under the civil service retirement plan, but would be under a district retirement plan.

Senator HOLLAND. And the Civil Service Commission objects to the continuance of the present employees under the Civil Service Commission's retirement program?

Mr. TOOTELL. That is right. That was the only phase of this that they objected to. Many of these people have been employed by the district banks for many years, and the great majority of them have long periods of creditable service in the civil service retirement plan, and our feeling is that it would not be equitable to deprive them of that.

Senator HOLLAND. I think the committee would like to see the position of the Civil Service Commission on that and which I understand is contained in their letter to the Bureau of the Budget. It is certainly a question of policy which the Congress must determine.

Frankly, the Chairman is inclined to agree with the Farm Credit Administration's recommendations that these present employees have a kind of vested interest in that civil service retirement program and should be protected in the continuance of that. However, we will see what the position of the Civil Service Commission is and again I will say that we will request the Civil Service Commission to report directly to us.

Go right ahead, sir.

Mr. TOOTELL. If the district bank employees should be held to be non-Federal by the Civil Service Commission, they would no longer be covered by the Civil Service Retirement Act and this would be inequitable to existing employees, most of whom have been under the Civil Service retirement and have made contributions to the retirement fund since 1942.

On the other hand, if the Civil Service Commission should hold that these employees are Federal and consequently place them in the competitive civil service, it would significantly reduce rather than increase borrower participation in the management of the banks and be contrary to the objectives and policy of the Congress as stated in the Farm Credit Act of 1953.

We believe that holding steadfast to this policy provides the best assurance that borrowers in this cooperative credit system will continue their successful efforts toward retirement of all Government capital and full ownership of the system.

The management of these employees would, of course, continue to be federally supervised by the Farm Credit Administration as required under present law and the provisions of this bill.

It should be remembered that the banks are not lending Government funds, as their loan funds are obtained almost entirely from the sale of their bonds and debentures to the investing public. These securities are not guaranteed either as to principal or interest by the Government.

Similarly, salaries and other expenses of the banks are paid from earnings of the banks and not from appropriated funds. The principal provisions of S. 1513 may be summarized as follows:

1. The board of directors of each bank would be given specific authority to employ personnel and to determine their compensation, retirement, and other conditions of employment without regard to the laws generally applicable to employees of the Federal Government, except as noted below. All of these actions, however, would be subject to the approval of the Farm Credit Administration which exercises broad supervisory powers over all components of the farm credit system.

2. With certain exceptions noted below, the following laws would not apply to the banks and their employees after the effective date of the bill:

(a) Civil service laws: This would include the basic statute enacted in 1871 which authorizes the President to issue regulations for the admission of persons into the civil service of the United States, and the various civil service laws which have been enacted since then, including the act of January 16, 1883, the Lloyd-La Follette Act (which prohibits removal or suspension of employees from the competitive service, except for cause), the Ramspeck Act (which authorizes the President to blanket employees into the competitive civil service by Executive order), and the so-called Whitten amendment (which established certain personnel ceilings). As indicated earlier, bank employees are excluded from some of these laws but only because of the action of the Civil Service Commission in putting them in the "excepted" service.

(b) Federal Employees' Compensation Act: This is a law which provides compensation for civilian employees of the Government who are injured in the performance of their duties. It also provides compensation to survivors of such employees who are killed in the performance of their duties. If this bill is enacted, each bank would provide employees with this type of protection by means of insurance with private companies.

Senator HOLLAND. A question right there. Do you mean it is required to do so?

Mr. TOOTELL. That would be a requirement of the Farm Credit Administration, sir.

The banks carried this type of insurance before their employees were considered to be covered by the Federal program and the Farm Credit Administration would require the banks which dropped such private insurance to obtain new policies.

(c) Hatch Act and the Veterans' Preference Act: Although these laws would no longer apply to bank employees, the bill expressly requires the district farm credit boards, under rules and regulations prescribed by the Farm Credit Administration, to provide for veterans' preference and limitations against political activity for bank employees substantially similar to the preference and limitations which now apply to those employees.

Thus, under the terms of the bill, the bank employees would still have veterans' preference and be required to refrain from political activity, but the Farm Credit Administration rather than the Civil Service Commission would be the administering agency.

(d) Civil Service Retirement Act, except as to employees covered by such act on December 31, 1959: Except for a few employees, such as those with temporary appointments, all employees of the banks are now under the Federal civil service retirement program.

The bill provides that these employees shall stay under the Federal program but that new employees, that is those employed after the effective date of the bill, shall be covered under a retirement plan to be developed by the banks in each district and also under social security.

Senator HOLLAND. By continuing them in the civil service retirement program, you mean that they will be required to continue their payments under that program?

Mr. TOOTELL. Yes, they will, and the employer would be required to continue his payments under the program.

We believe that present employees who are covered under civil service retirement should continue under that system, since most of them have been so covered for many years, and it would be inequitable to make a change at this time.

We estimate that within 10 years, most of the approximately 1,600 bank employees now covered by civil service retirement will have retired, or otherwise terminated their employment with the banks, and that within 20 to 25 years, practically all employees in each district would be under the district retirement plan and social security.

Each district retirement plan would have to be approved by the Farm Credit Administration and the districts are expected to be ready with such plans before the effective date of this bill.

Senator HOLLAND. A question there. In the case of an employee who had been employed only a short period of time and who might prefer to get under the retirement plan of the bank involved, is there any right given to make an election to leave the civil service retirement program and come under the retirement program of the bank?

Mr. TOOTELL. That isn't provided in this proposed legislation, Senator Holland.

Senator HOLLAND. Well, I would like for your appropriate staff to make a study of that and before we close the hearings give us your recommendation on that. I have no convictions on it at all, but it just occurs to me that a person who has just begun a short while ago might find something preferable in the bank retirement program and might prefer to come under it and at least should have the election.

If you will look into that and make a recommendation it will be appreciated.

Mr. TOOTELL. We will be happy to do that, sir.

(The report is as follows:)

FARM CREDIT ADMINISTRATION,
Washington, D.C., April 22, 1959.

HON. SPESSARD L. HOLLAND,
*Chairman, Subcommittee on Agricultural Credit and Rural Electrification of
the Committee on Agriculture and Forestry, U.S. Senate.*

DEAR SENATOR HOLLAND: At the hearing on April 20 of your subcommittee on S. 1512 and S. 1513 you asked us to consider and make a recommendation regarding a possible change in S. 1513 which would give bank employees who, on the effective date of the legislation, have been under civil service retirement only a short time the election to transfer to the district retirement plan and social security.

We have given this matter study and concluded that in the interest of simplicity of administration of both the civil service retirement and the district retirement plans, it would be preferable once a district bank employee comes under civil service retirement to continue him under that plan as long as he works for the bank. The fixed cutoff date for all will also facilitate administration of the Civil Service Retirement Act in the Civil Service Commission and other agencies in determining creditability of farm credit bank service. Such a cutoff date will enable any agency which employs someone with previous farm credit bank service to reach a determination as to creditability of such service on the basis of the dates of service, without making special inquiry into the details in each individual case. For example, under the bill as presently drawn, the general rule would be that any service in the farm credit bank that began before January 1, 1960, would be creditable under the Civil Service Retirement Act. We, therefore, recommend that no change in this respect be made in the bill.

Very truly yours,

R. B. TOOTELL, *Governor.*

MR. TOOTELL. (e) Federal Tort Claims Act: This act provides the procedure for prosecution of claims against the Government arising out of negligence on the part of Government employees.

There is a question whether this act now applies to employees of the district banks, but we think it should be made clear that it does not.

If the bill is enacted, the banks will be required to carry adequate insurance to protect themselves against claims of this type.

The district banks already carry automobile liability insurance and it would be the responsibility of the Farm Credit Administration to see that each bank obtains adequate insurance to cover hazards of this kind.

(f) Federal Employees Pay Act of 1945, as it relates to hours of duty, the workweek, and premium pay for overtime and night holiday work: The banks would become subject to the Fair Labor Standards Act upon enactment of the bill and any such work in the districts would be subject to the minimum and overtime pay provisions of that act.

(g) Federal leave laws: The district bank employees are now exempt from these laws, except that the Comptroller General has held that they are subject to the provisions relating to transfers of leave and leave payments upon separation from the Federal service. This bill would expressly exempt them from all provisions of these laws.

3. The bill would amend the Social Security Act and the Federal Contributions Act to provide that persons employed by the district banks after the effective date of the bill, would be covered by social security.

As indicated earlier, such employees would also be covered under a retirement plan which each district would be required to establish for those employees not covered by civil service retirement.

4. S. 1513 also provides that future acts of Congress dealing with Government agencies and Government employees would not apply to the district banks or their employees unless such acts specifically so provide.

The purpose of this provision is, of course, to avoid as to future legislation the difficulty we now have in trying to determine whether certain laws apply to district banks employees.

5. The bill would not exempt employees of the district banks from any of the Federal criminal laws or Federal laws and regulations relating to loyalty or security which now apply to them. The language of the bill states that no such change is intended or to be implied.

The provisions of the bill relating to the district banks and their employees apply also to the central bank for cooperatives and its employees.

The district farm credit banks were incorporated to avoid many of the operating difficulties inherent in a straight line Government lending operation.

Like other corporations, each of these banks is under the management of a board of directors with day-to-day operations carried on by officers and employees appointed by the board. Hiring of personnel and the determination of conditions of employment are appropriate functions of management.

We believe, therefore, that consistent with the policy of the Congress, as set out in the Farm Credit Act of 1953 and the nature of the organizations involved, district bank personnel should be exempt, to the extent proposed, from the civil service and other laws applicable generally to the Federal Government and its employees.

It is our belief that such an exemption will facilitate the operation of the banks in the interest of better credit service to farmers.

It will also result in substantial savings to these banks and thereby accelerate the retirement of Government capital.

At the same time, the district bank employees would have essentially the same benefits under the terms of the bill as they now have under the laws which apply to them. The bill was discussed in each farm credit district and the farm credit board in each district has approved the bill.

The Farm Credit Administration urges enactment of both S. 1512 and S. 1513, with section 4(e) deleted from S. 1512.

The Budget Bureau letter which authorized us to submit S. 1513 requested that a copy of the letter accompany the submission to the Congress.

Briefly, the letter stated that while the Bureau had no objection to the submission of the proposal, it should be made clear for the record that the Bureau does not support certain arguments made by the Farm Credit Administration in justification for the legislation. We assume a copy of the Budget Bureau letter will be made a part of the record of this hearing.

The Budget Bureau had no objection to the submission of S. 1512.

Senator HOLLAND. Senator Talmadge?

Senator TALMADGE. Governor, I have two or three questions along the same line that I asked last time. At that time, you waived your right to testify in order that a representative of the credit association from Oregon could testify.

I notice that S. 1512 deals largely with interest rates and loans. In your testimony this morning you stated that the present ceiling on money that the Farm Credit Administration borrows is fixed at 5 percent. The highest rates you have ever had to pay I believe was 4.89 on October 1, 1957, and that the lowest rates you had to pay to obtain money was 1.39 on March 10, 1958.

In view of the fact that you have at the present time from your latest borrowing, a latitude of more than one-half of 1 percent, why is it necessary at this time to raise the ceiling?

Mr. TOOTELL. Well, Senator Talmadge, while it is true that this 4.89 is the highest that the Federal land banks have had to pay in recent years, there was a time in the earlier history of the land banks when they had to pay a higher rate than that.

We had this experience in October of 1957 of coming so close to the interest ceiling and having a rather large maturity of land bank bonds to meet, that we feel it is wise to have this limitation removed so that we will not get into that position again. Interest rates can go up, and the cost of money in the market can go up rapidly. It might go up at a time when Congress was not in session.

Of course, our position is that removal of this ceiling it itself has no effect upon the market cost of money. The land banks have to pay what the market is at any given time. They are the farmers' own land banks and are operating with the purpose of trying to keep interest rates as low as possible, and certainly there is no one in the system who would be interested in doing anything that would cause interest rates to be any higher than absolutely necessary.

We feel that it is necessary that we be in the clear so that should the cost of money exceed 5 percent, the land banks can be able to meet a maturing obligation, which accounts for the major part of every bond issue, and also to obtain, if necessary, some new loan funds to meet the demands for additional loans.

Senator TALMADGE. In view of the fact that it has declined approximately one-half of 1 percent since the time you were most frightened, October 1, 1957, and in view of the fact that Congress is also in session about 8 months out of every year, don't you think that apprehension at this time is perhaps premature?

Mr. TOOTELL. Well, Senator Talmadge, Congress was not in session in October of 1957 when we came so near this thing and that is when we got the real shock on it.

Senator TALMADGE. Now I have a question about the ceiling on loans. You have 12 banks operating, according to your testimony, and 5 of those banks are now lending money at $5\frac{1}{2}$ percent, which is one-half percent lower than the ceiling.

Seven of those banks, a majority thereof, are lending money at 5 percent which is 1 full point below the ceiling.

Mr. TOOTELL. That is right.

Senator TALMADGE. In view of this fact, why is it necessary to raise the ceiling on loans?

Mr. TOOTELL. Well, I don't feel that there is nearly the same justification for it, Senator Talmadge.

Should interest costs go up rapidly and necessitate further increases in the interest rates which the land banks would charge on the loans, there wouldn't be that same compulsion to have the ceiling removed that there is in connection with the bond rate.

None of the other banks of the farm credit system have comparable interest rates. The interest rate in itself has no bearing on what the mortgage interest rate would otherwise be. We just felt that it would be preferable to remove that limitation. We certainly hope that there would be no occasion to break through that ceiling.

Senator TALMADGE. As you know, the farmers are presently having a difficult time with costs going up and they are having difficulty in making any income at all. When you start to talk about raising ceilings, the farmers get the impression that you would not raise them unless you intend to comply with the permissive authority granted. I fear that there would be considerable apprehension on the part of the farmers that there would be no justification for the increase.

Mr. TOOTELL. Well, I concede that it is a possibility, Senator Talmadge. Those farmers who are already in the system or that have had experience with the Federal land banks, and that is a very substantial percentage of them——

Senator TALMADGE. I am aware of that, and I think the program in question is fine. I rarely hear any criticism of the Federal land bank. It is one of the agencies of the Federal Government that has the least criticism.

I did not get your testimony very clear. There was something in your statement this morning relating to PCA interest rates. Would you explain that please?

Mr. TOOTELL. That is the production credit association; federally chartered associations through which farmers locally obtain operating loans. Because they are federally chartered it has been commonly accepted that they are not under the same interest rate restrictions as State-chartered private institutions would be. However, in order to make clear that such State limitations do not apply to them, the Federal Board was requested by one of the district farm credit boards to ask for this amendment.

Senator TALMADGE. What does the amendment do?

Mr. TOOTELL. The amendment would not make the usury laws of the States involved effective and controlling.

Senator TALMADGE. I still don't understand what it does. Will you clarify that for me?

Mr. TOOTELL. Yes; I will. The State of New York is the one that is specifically involved here. The State of New York has an interest limit of 6 percent.

Senator TALMADGE. In other words, that is the maximum interest rate that can be charged in the State of New York?

Mr. TOOTELL. Yes.

Senator TALMADGE. For long-term loans, I assume.

Mr. TOOTELL. On any.

Senator TALMADGE. On a small loan also?

Mr. TOOTELL. Yes; so far as I understand it.

Under the laws of the State of New York, loans made by any other lenders strictly under the State of New York would not be permitted to charge more than 6 percent. I mean those made by others than the farm credit institutions; but because ours are federally chartered it has been considered down through the years that they were not bound by that State law.

Senator TALMADGE. The State law would not apply?

Mr. TOOTELL. No.

Senator TALMADGE. And what is the loan rate you are charging in New York State now?

Mr. TOOTELL. The loan rate the production credit associations charge varies by associations. The most typical rate being charged throughout the country is 6 percent. I don't know frankly whether there are any associations in New York State that are charging more than 6 percent at the present time or not.

Senator TALMADGE. The effect of that amendment then would be to make the State law the ceiling in the area where the loan was made. Is that the effect of it?

Mr. TOOTELL. No, it would not. It would simply clarify the interpretation that has been placed on this in the past; that the State law did not establish the ceiling so far as a loan made by a federally chartered association, the production credit association, is concerned.

Senator TALMADGE. In other words, no State law would be placing a maximum ceiling on your laws under PCA?

Mr. TOOTELL. That is correct, sir.

Senator TALMADGE. And your interest rate would be determined by whatever or whoever set the policy?

Mr. TOOTELL. Well, the interest rate of a production credit association is determined by the directors of that association with the concurrence of the Federal intermediate credit bank of that district. The Federal intermediate credit bank is the supervising agency.

Senator TALMADGE. What is the minimum and the maximum interest rate the PCA is charging now?

Mr. TOOTELL. The minimum rate—I believe there is one association today, a big, statewide association that is charging 5 percent. The maximum rate is 8 percent and there are, I believe, two associations that are charging 8, and those are in the State of Texas.

Senator HOLLAND. Charging what?

Mr. TOOTELL. Charging 8 percent.

Senator TALMADGE. Charging 8 percent?

Mr. TOOTELL. Yes.

Senator TALMADGE. That is the maximum rate in the country?

Mr. TOOTELL. Yes.

Senator TALMADGE. Is that predicated on the general interest laws in Texas or the relative insecurity of the loan, or both?

Mr. TOOTELL. Well, I would say it is not predicated upon any laws of the State of Texas as the legal limit there is 10 percent.

The reason the interest rate in those two associations is higher is because in the first place they have a relatively small volume in comparison with some of the other associations and therefore, their operating costs are higher and must be added onto what they pay for their money at wholesale.

Furthermore, the associations generally in that part of the country had considerable of a financial setback during the drought that lasted 6 or 7 years in much of that country, and I would just suspect that some of this higher interest rate is being charged in an effort to rebuild their net worth.

Senator TALMADGE. These high interest rates that you are referring to of 8 percent, they are on short term production loans, aren't they?

Mr. TOOTELL. Yes, it is.

Senator TALMADGE. Governor, does Congress make any appropriations for the administrative expenses of the Farm Credit Administration?

Mr. TOOTELL. Senator Talmadge, on the record it does. The Farm Credit Administration which is a small, supervisory agency, goes before the Bureau of the Budget and gets approval for a proposed operating budget and then we appear before the Appropriations Subcommittee of both House and Senate and have approval of the Congress for our administrative budget. But actually, that approval is simply an authorization to spend up to a certain amount.

Senator TALMADGE. You don't draw any money from the Treasury?

Mr. TOOTELL. We do not, because the funds for the Farm Credit Administration come from assessments against the district banks.

Senator TALMADGE. All the expenses are paid from the profit that the organization makes from its lending operations?

Mr. TOOTELL. That is exactly correct.

Senator TALMADGE. Is that the reason you are asking the Congress to pass S. 1513, the second bill? As I see it, the latter part of your bill related to the employees' status.

Mr. TOOTELL. Yes; that is exactly right. That part of it is known as the status clarification.

Senator TALMADGE. I am not familiar with all of the benefits or lack of benefits that those employees might be waiving by this, but have the employees themselves had any voice in this legislation? Do they want all of this transfer? They are going to lose many things that Congress in many years has held to be of great benefit to Government employees.

Mr. TOOTELL. Well, Senator Talmadge, as to those who will be employed after the effective date of this legislation, they will not have the privilege of some of these things. But anyone who is confronted with employment after the effective date will know the terms under which he is to be employed and he will not be giving anything up, because he did not have it.

Senator TALMADGE. Yes, but some of them are giving up something now. Have those employees been consulted? Do they favor this legislation? Do they want to be removed, for instance, from the Federal Employees Compensation Act?

Mr. TOOTELL. The district boards of directors have all approved this legislation and it is our understanding that they and the officers of the respective banks have discussed this with the employees.

Senator TALMADGE. And they favor it?

Mr. TOOTELL. Yes, sir; because all of the district boards have unanimously asked for this type of legislation.

Senator TALMADGE. Do you consider these employees to be Federal employees at the present time?

Mr. TOOTELL. Senator Talmadge, they were interpreted as Federal employees for the purpose of coming under the civil service retirement program, back in 1942. We hold that conditions as to district farm credit banks have changed very materially since that time. At that time, the majority of the boards of directors of the district banks were appointees of a Federal officer.

Senator TALMADGE. Were you operating at that time with Government funds?

Mr. TOOTELL. There was more Government capital in the system than there is today, but the basic plan of the system was no different.

Senator TALMADGE. Are you paying back that Government capital into the Treasury now?

Mr. TOOTELL. Yes; we are.

Senator TALMADGE. How much Government capital do you have in the system at the present time?

Mr. TOOTELL. The Federal land banks have none. They retired the last of the Government capital in 1947.

The other banks of the system are systematically retiring the Government capital and I have here the amounts. The intermediate credit banks have just a little less than \$80 million of Government capital.

Senator HOLLAND. And how much business did they do in the last fiscal year?

Mr. TOOTELL. They made loans and discounts, Senator Holland, totaling just approximately \$3 billion.

Senator HOLLAND. And their total amount of Government capital is around \$80 million?

Mr. TOOTELL. Yes.

Senator HOLLAND. All right, proceed.

Mr. TOOTELL. The production credit association which started out with \$90 million of Government capital in 1934, paid that down to \$1.75 million as of a year and a half ago. When disaster struck in the delta area, you remember a year ago last winter, we were petitioned to resubscribe to the capital of some of those associations and did resubscribe to the capital of several of them, but we built that up to \$4 million.

Senator HOLLAND. I understood that most of the PCA's are out of debt. That is what you are talking about.

Mr. TOOTELL. Yes, I am. Of the 495 production credit associations, 455 of them today are completely owned by their borrowers and of the 40 that do have some Government capital, the majority of them have a very small amount of Government capital.

We think that their record of retirement of Government capital has been very good. That I mentioned before the Federal land banks retired the last of their Government capital in 1947.

The national farm loan associations never did have Government capital and they are the owners of the land banks. The farmers, in turn, are the owners of the national farm loan associations. The banks for cooperatives had a maximum of \$178.5 million of Government capital at the time the Farm Credit Act of 1955 was passed. That was paid down at that time to \$150 million and since that time, the banks for cooperatives have paid it down to \$134.8 million as of December 31, 1958.

Senator HOLLAND. What was their volume of loans for the last fiscal year in their operation?

Mr. TOOTELL. Senator Holland, my recollection is that they loaned just a little more than \$550 million in the past year.

It adds up this way, in total: There was, as of December 31 last year, \$218.7 million Government capital in the system; \$287.5 million of farmer capital invested in it; a surplus of \$486.7 million; reserve of \$144.5 million, for a total net worth of the system of \$1,137.4 million.

Senator TALMADGE. The purpose of the bill, S. 1513, is to divest them from the status of Government employees at the present time?

Mr. TOOTELL. That is true.

Senator TALMADGE. And with that divesting of status, it would remove civil service laws of all kinds?

Mr. TOOTELL. Yes. As we understand it at the present time, Senator, as of July 31, 1961, unless this legislation is passed, the district bank employees would come under competitive civil service and before the officers of the Federal Land Bank of Spokane, Wash., or of Columbia, S.C., or any of the other 10, could employ a file clerk or a vice president, it would be necessary for them to call the civil service register and to select from among those on that register.

Senator TALMADGE. If they would have to be employed under civil service standards, why is it desirable to take the benefits of the Federal employee relationship away from them, whatever they might be?

Mr. TOOTELL. Well, it is our belief, Senator, that it would not be possible to set up the civil service standards for people who are engaged in credit business that would enable maintaining as competent and high type of group of credit people as is done at the present time with the exception that we have had for years, you see?

We have had this exception in our district offices and they have not been required to go to the civil service register for their employees.

Senator TALMADGE. They don't have to now?

Mr. TOOTELL. Oh, no; they never have.

Senator TALMADGE. And under your bill, they would have to?

Senator HOLLAND. No.

Mr. TOOTELL. Under the bill, they never would have to. We have been told by the Civil Service Commission that farm credit cannot continue to be in this suspended position here with an excepted position.

Senator TALMADGE. In other words, what you have now is a hybrid employee. Under some phases, he is a Federal employee and under other phases he is not.

Mr. TOOTELL. That is right.

Senator TALMADGE. Now you want to take that hybrid feature away and say clearly that he is not a Federal employee?

Mr. TOOTELL. That is right.

Senator TALMADGE. Rights, benefits, privileges, or obligations. Is my statement too strong now?

Mr. TOOTELL. Well, that is just awfully close, Senator. The one main right, privilege, and benefit that would be continuing for those who are presently employed would be to remain under the Civil Service Retirement Act.

Senator TALMADGE. As I understand it all, new employees would not be under the civil service retirement.

Mr. TOOTELL. They would not.

Senator TALMADGE. Will it not be necessary for you to set up another retirement system and have a duplication when we already have a civil service retirement system?

Mr. TOOTELL. That is a very logical question, Senator Talmadge, but in each of the farm credit districts there presently are one, and perhaps two, retirement systems for the association personnel.

In some districts, both the national farm loan association and the production credit association personnel are under a common retire-

ment system. In others, there is a retirement system for each of those groups. The presumption is that——

Senator TALMADGE. Plus the civil service retirement system?

Mr. TOOTELL. The association employees are not eligible.

Senator TALMADGE. They are not under it now?

Mr. TOOTELL. This has no effect upon the association employees. ✓
This is simply for some 1,600 employees of the 12 intermediate credit banks; the 12 land banks; the 13 banks for cooperatives.

Senator TALMADGE. I thought you stated a moment ago that these employees are presently under the civil service retirement system.

Mr. TOOTELL. The employees of these 37 district banks are, sir.

Senator TALMADGE. Oh, yes.

Mr. TOOTELL. But not the association employees.

Senator TALMADGE. You have two groups. Some are under, and some are not under?

Mr. TOOTELL. That is right.

Senator TALMADGE. Would it also remove them from the Hatch Act?

Mr. TOOTELL. The effect of it as this legislation is drawn, and specifically states, would be not to remove them from the effect of the Hatch Act, but simply to transfer the responsibility for enforcing compliance with the principles of the Hatch Act, from the Civil Service Commission to the Farm Credit Administration. This specifically says that it would be our duty in the Farm Credit Administration to see that the employees of these district banks adhere to the principles of the Hatch Act through regulations which we would promulgate.

Senator TALMADGE. Do you know how many corporations Congress has chartered which are not necessarily an agency of the Federal Government, or at least whose employees do not have Federal status? Are there any others?

Mr. TOOTELL. This would be true of the employees of the Federal Reserve banks. They do not have——

Senator TALMADGE. None of them come under any provisions of the Federal employees acts?

Mr. TOOTELL. I would like to, if I might, ask our General Counsel, Mr. Bagwell, to elaborate on that.

STATEMENT OF JOHN C. BAGWELL, GENERAL COUNSEL, FARM CREDIT ADMINISTRATION—Resumed

Mr. BAGWELL. Senator Talmadge, there are a number of instances in which employees of federally chartered corporations are not subject to the various laws that relate to Federal employees. The national banks are federally chartered but of course employees of those banks are considered to be private employees and not Federal employees. The employees of the Federal Reserve banks are in that same category, and even the Congress——

Senator TALMADGE. What about the Reconstruction Finance Corporation?

Mr. BAGWELL. That, of course, is out of the picture now. It has been liquidated.

Senator TALMADGE. Are there any others presently in existence?

Mr. BAGWELL. The Tennessee Valley Authority has an exemption of its employees from the civil service laws, and the Virgin Islands Corporation is also one where the employees are not under the civil service laws. There are a few instances in which the Congress has granted exemptions of this kind.

Senator TALMADGE. Thank you.

Senator HOLLAND. Federal savings and loan organizations are in the same classification in this regard as national banks; are they not?

Mr. BAGWELL. That is correct.

Senator TALMADGE. I have no further questions, Mr. Chairman.
(Discussion off the record.)

Senator HOLLAND. We have a letter from Mr. Baker to the chairman of the subcommittee relating to both the bills which we are hearing and supporting the enactment of both bills, and he asks that the letter be printed in these hearings.

Likewise, he asks that there be included a letter to him from Mr. Marion E. Clawson, president of the Delaware County Farmers Union, who apparently had been requested by Mr. Baker to furnish an opinion from that type of organization, also approving the enactment of the legislation. And also a letter to Mr. Baker from Farmers Union Grain Terminal Association which had also been requested for its opinion on the legislation. The chairman understands all three of these letters support the enactment of the legislation, and without objection they will be printed at this point in the record.

(The letters referred to follow:)

WASHINGTON, D.C., April 16, 1959.

HON. SPESSARD L. HOLLAND,
Chairman, Agricultural Credit and Rural Electrification Subcommittee,
Senate Office Building, Washington, D.C.

DEAR SENATOR HOLLAND: National Farmers Union supports enactment of H.R. 5740 (S. 1512 and 1513).

Mr. R. B. Tootell, Governor of the Farm Credit Administration, has appeared before your committee in behalf of this bill. Mr. Tootell has proven himself to be an able administrator of farm credit programs. We have confidence in the direction he is giving to the Farm Credit Administration and in general agree with the recommendations he had made to the committee.

The changes which he proposed in the various programs of the Farm Credit Administration are the logical next steps to be made if the Farm Credit Administration is to become fully farmer owned and controlled.

We regret the necessity of taking the ceiling off of interest rates. We are aware, however, that the hard money policy of the administration requires such action if funds are to be had through the sale of debentures for loanmaking purposes. Raising interest rates is not new in other lending agencies, even those operated by the Government. The administration has, as a matter of policy, sought increased interest rates. Between 1951 and 1958, for example, interest paid to creditors increased 73 percent while farmers' total net income dropped 26 percent.

Enclosed are copies of letters from Mr. J. W. Wells, Jr., executive assistant to the general manager of the Farmers Union Grain Terminal Association, of St. Paul, Minn., and Mr. Marion E. Clawson, president of the Delaware County Farmers Union, Route 1, of Eaton, Ind., and also president of the Eastern Production Credit Association, 304 South Jefferson (Box 71), Hartford City, Ind., giving their views.

Since these letters are pertinent to the hearings on H.R. 5740, I respectfully request that they appear in the record together with the transmittal letter.

Sincerely,

JOHN A. BAKER,
Director, Division of Legislative Service, National Farmers Union.

EATON, IND., April 6, 1959.

Mr. JOHN A. BAKER,
Director, Division of Legislative Services,
Washington, D.C.

DEAR JOHN: In regard to S. 1512 and H.R. 5740 and Leonard Pound's letter, the bill does have some conflicts with Farmers Union program. The repeal of the interest rate limitation would imply preparation for higher interest rates to farmers and the merger of the associations by the Farm Credit Administration could result in curtailment of service to farmers in some areas. These provisions of the bill do not seem to be consistent with Farmers Union program.

The intent of the bill appears to be in the interest of economics. However, there is some question as to whether the changes are for the purpose of minimizing costs to the farmer or to enable them to survive higher rates of interest to the investors in Federal land bank bonds.

Whatever objections there are to the bill is somewhat like the residents of the valley objecting to the flood after idly sitting by and watching the dam being dynamited. A few years ago Farm Bureau propagandized the American Bankers Association theory that farmers should be ashamed to keep the Government involved in the farmers credit institutions. As a result of this Farm Bureau propaganda the PCA's in many instances retired the Government capital and became farmer owned. The fact that farmers put their own capital in the PCA instead of Government capital was commendable, but at the same time and as a result of the propaganda there was a retreat on the part of the Government as to its rightful responsibility toward agriculture to assure it of sound credit at a reasonable cost.

We therefore find ourselves now subject to the pleasure of those who by bonds and debentures at maximum yield possible, and unfortunately these people are mostly the same people who advocate the tight money and higher interest rate policies. Since the Federal land bank and production credit associations have become farmer owned and have experienced the retreat of responsibility on the part of the Government and are for all practical purposes when it comes to obtaining funds to loan, private lending institutions, it is without doubt necessary for us to play the game by the rules of those from whom we obtain our funds.

The bill is about as good as can be expected until we can rejuvenate the idea that the Government does have the definite responsibility to assure agriculture adequate credit at reasonable costs. This responsibility was accepted by the Government back in the early thirties when private lending institutions failed agriculture.

I would therefore suggest that every effort be made to emphasize the fact that the Government does have the rightful responsibility to assure agriculture adequate credit at reasonable cost.

John, this is a hasty analysis as I have been running in circles since the convention. This is a busy time of year for me. Hope that this is somewhat helpful to you.

Sincerely yours,

MARION A. CLAWSON,
President, Delaware County Farmers Union.

Mr. JOHN A. BAKER,
Director, National Farmers Union Legislative Services,
1404 New York Avenue NW.,
Washington 5, D.C.

DEAR JOHN: Thank you for your letter of March 27, 1959.

The farm credit bill which you enclosed has two major functions. First, to decentralize the appraisals of the farms into the hands of the Federal land banks. There has been a continuing complaint concerning the appraisal system of the Federal land banks, which appraisals have been strictly supervised by the central office; the 12 land banks said appraisals did not reflect the true value of a farm based upon present day values of commodities produced on the farm. This has been a continuing gripe on the part of the president of the Federal land banks and the associations of the secretaries of the national farm loan associations in each of the 12 farm credit districts. The bill will place more authority in this regard in the hands of the Federal land banks. Personally I am not afraid of it because I have felt that the centralization of that authority in

Washington has tended to hold down appraisals below what should be termed "the true agricultural values."

The second objective is to bring certain employees of the Farm Credit Administration under the Social Security Act. There are some other changes but I think they are minor.

Personally I do not think that the National Farms Union should object to the passage of the bills.

Yours faithfully,

FARMERS UNION GRAIN TERMINAL ASSOCIATION,
J. E. WELLS, Jr.,
Executive Assistant to General Manager.

Senator TALMADGE. Governor, there is only one thing about your testimony that seems a little incongruous. On the one hand you are trying to remove all Federal status and make it completely private. On the other hand, as I see it, you attempt to make the association's interest rate not subject to the regulations of the various States on the maximum rates, and I refer specifically to the State of New York.

Why do you want to give it Federal status to override the State law on interest rates and remove it from Federal status on employees?

Mr. TOOTELL. Senator Talmadge, I find it very difficult to answer that one. Historically, as I understand it, our federally chartered corporations have been considered to be exempt from the interest rate limitations of the States, and as I understand it there is something in the production credit legislation which might tend to cast doubt on their continuing to have such exemption.

It is my belief that was the reason for this, but again I would like to ask John Bagwell, our General Counsel, to comment on this point.

Senator TALMADGE. I will be happy to have him do so.

Mr. BAGWELL. There are really two questions as I see it, Senator Talmadge.

The Congress, of course, has the constitutional power to create these agencies, and it also has the power to say what interest rates they will charge, irrespective of what the States may say with respect to agencies that operate under State law. Whether it is desirable for the Congress to provide for an exemption from State usury laws is another question.

In the National Banking Act, as you doubtless know, the Congress has provided that the national banks are subject to the laws of the States in the matter of interest to be charged borrowers.

We have always understood that the Congress intended otherwise for the farm credit system, namely, that our banks and associations would not be so subject. We think the PCA's are not now subject to such State laws, but it has been suggested to us that there needs to be some clarification.

At the House hearing last week, we got into quite a discussion on that very point, and we told the House committee that we did not think it was urgent that this provision be in the bill.

We stated we thought that is what the law means, but if the House committee for reasons of its own did not wish to appear to be setting aside State laws, as it was said we were asking them to do, why we thought it was all right for the committee to take this provision out, and they did just that when they reported the bill out last week.

We don't think it is too important. We believe that is what the law provides now, and if the Congress feels that further clarification in that respect is not necessary, why we certainly have no objection to leaving it out.

Senator TALMADGE. Thank you.

Senator HOLLAND. I would like to ask a question on that. It is a rather tender spot, for both the Senator from Georgia and the Senator from Florida, but it seems to me there is a practical situation here which might justify it, and that is this:

We are trying by this legislation to not only progress further in the giving of the handling of the administration of these various unions to the farmers themselves, but we are also trying to make sure that they can effectively meet their problems. If we should approve the withdrawing of the limitations on the interest rates of the Federal land banks, it would not be with the hope that interest would go up, but with the desire to see them able to function in the carrying out of their objectives.

Now as I understand it, in the most tender place for interest rates to be high, which is the short-term loans of the production credit association, there seems to be at least in one case in one State an interest rate described as a limited maximum, which would be too low, if that law should be held to be applicable, to permit the production credit associations and the intermediate credit bank in that area to meet the need of the farmers for that type of service, and if that be the case, we might have to struggle against our reluctance to see anything done that would tend to limit the effectiveness of the State law.

Really the only reason you are asking for this is so that there can't be any question of your ability to effectively meet the problem of the growers in the field of production credit association loans, isn't that right?

Mr. TOOTELL. Yes, because production credit associations have in the past under certain conditions of high interest rates charged more than 6 percent as I understand it.

Senator HOLLAND. In one jurisdiction they are now charging up to 8 percent. I think you said?

Mr. TOOTELL. Yes. Of course that is in a State which has a 10-percent legal limit.

Senator HOLLAND. Senator Talmadge?

Senator TALMADGE. No further questions.

Senator HOLLAND. It is a tender spot and I am glad Senator Talmadge raised the question.

Thank you, Governor Tootell. I notice there are two other witnesses here to testify. Mr. John J. Riggle, secretary of the National Council of Farmer Cooperatives and Mr. Hugh F. Hall, legislative assistant, American Farm Bureau Federation. You are both from right here in Washington. We will take them in that order.

Mr. Riggle?

STATEMENT OF JOHN J. RIGGLE, SECRETARY, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. RIGGLE. Mr. Chairman, I have no prepared statement. I just wanted to say that as far as—

Senator HOLLAND. Please state your representation.

Mr. RIGGLE. My name is John J. Riggle. I am secretary of the National Council of Farmer Cooperatives.

Senator HOLLAND. How many cooperatives are included within your organization?

Mr. RIGGLE. Our membership is based pretty much upon State and regional cooperative organizations.

The number is 126, and they in turn represent approximately 5,000 local cooperative associations.

Senator HOLLAND. With approximate membership of how many farmers?

Mr. RIGGLE. As far as membership is concerned, the total membership runs better than 31½ million.

Senator HOLLAND. All right, sir.

Mr. RIGGLE. But a good many farmers belong to more than one cooperative association. So the National Council represents approximately 2.6 million farmers at the last calculation we made.

Senator HOLLAND. Proceed, sir.

Mr. RIGGLE. I just want to state briefly that in accordance with the policy of the national council which favors the making of the financing operation and management of the banks of the farm credit system subject to the control of the farmers who are members, we are in favor of S. 1513 so that the employees would become in effect employees of private institutions.

Senator HOLLAND. When the exceptions heretofore made by the Civil Service Commission run out in 1961, you don't want any question about those employees becoming for all purposes subject to civil service choice and selection?

Mr. RIGGLE. No. We think that that is germane to this whole problem of private institutions versus a Federal institution, and to make them subject to Federal civil service just doesn't go along with what we are trying to do at all. We think S. 1513 is one of the necessary steps to complete transfer of these organizations into the category of private institutions, to be completed, of course, when the Federal capital is retired. But in order to transfer the management and control we recommend enactment of S. 1513.

As far as S. 1512 is concerned, we have no policy on the particular subjects treated therein. They are housekeeping management affairs. They are things that are close to the operators and the managers and have to do with their relationships with the borrowers and with the people they borrow from, and also have to do with their relationships with the competitors in the farm credit system. They are, however, germane to this question of management by private operators, and to that extent we feel that if there are any restrictions here that need to be removed in order to assure that management has freedom to move in accordance with the best practices of management in this credit field, there should be no objection to the bill.

Senator HOLLAND. In other words, you go along with the request of the Farm Credit Administration?

Mr. RIGGLE. We have no objection to any of the provisions they have asked for. We think that there has been some questions raised in one or two instances which need further discussion and consideration. Perhaps as they have indicated themselves, it is not absolutely necessary, but we still feel they are in the field in which private management should have to make the decision and they should not be restricted in the making of those decisions.

So our position on S. 1512 is that we have no objection to this type of legislation.

Senator HOLLAND. You support S. 1513 and you have no objection to S. 1512?

Mr. RIGGLE. That is correct.

Senator HOLLAND. Senator Talmadge?

Senator TALMADGE. No questions.

Senator HOLLAND. Thank you, Mr. Riggle.

Mr. Hugh F. Hall?

**STATEMENT OF HUGH F. HALL, LEGISLATIVE ASSISTANT,
AMERICAN FARM BUREAU FEDERATION**

Mr. HALL. Senator Holland, Senator Talmadge, my name is Hugh F. Hall, a legislative assistant in the American Farm Bureau Federation.

We appreciate the opportunity to appear before this committee. We endorse the principles of S. 1512 to amend the Federal Farm Loan Act by transferring responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and S. 1513, to clarify the status of the land banks, intermediate credit banks, and banks for cooperatives, and their officers and employees.

To this general endorsement we make two exceptions.

The first exception relates to section 104(e), that is the House bill, but section 4(e) of S. 1512, which would give the Farm Credit Administration the power to order "the merger or consolidation of two or more contiguous Federal land bank associations."

This authority seems to us to be contrary to the basic objectives of the Farm Credit Act of 1953 which we believe provides a sound framework of policy by encouraging decentralization of operational authority and the placing of more responsibility in the local associations and the district banks.

Senator HOLLAND. You understand that that section has been asked to be deleted by the Farm Credit Administration itself, is that right?

Mr. HALL. I do; yes, sir. We recommend that this section be deleted from the bill.

The second exception relates to subsections 104(i) and (u) of the Senate bill, which authorizes the change in name from "national farm loan association" to "Federal land bank association" and the use of the term "manager" instead of "secretary-treasurer."

On this provision of the bill, the Farm Bureau will take no position.

Senator HOLLAND. Might I interject a question at this time to Mr. Bagwell. Assuming the passage of the bill in the form presented by these two subsections, 4(i) and 4(j), is that self-executing or does each association have to adopt amendments and the like before it becomes operative?

Mr. BAGWELL. No, sir; that authority would extend to the Farm Credit Administration to compel them to merge.

Senator HOLLAND. No; this is not merging.

Mr. BAGWELL. I'm sorry.

Mr. HALL. Change the name.

Senator HOLLAND. This is changing the name.

Mr. BAGWELL. That is automatic.

Senator HOLLAND. Self-executing?

Mr. BAGWELL. Yes, sir.

Senator HOLLAND. It doesn't require meetings?

Mr. BAGWELL. No, sir.

Senator HOLLAND. Notice and official organizational action—

Mr. BAGWELL. No, sir.

Senator HOLLAND (continuing). To become operative?

Mr. BAGWELL. No, sir; not at all.

Senator HOLLAND. Thank you.

Mr. HALL. The transfer of appraisers to the Federal land banks will further implement the policies of the Farm Credit Act of 1953 and subsequent enactments by placing additional operational responsibilities in the district banks and associations. We note that general supervisory responsibility still remains with the Farm Credit Administration.

Senator HOLLAND. You would wish that objective to be continued; wouldn't you?

Mr. HALL. Yes.

Senator HOLLAND. The general supervision remains in the Farm Credit Administration?

Mr. HALL. Yes. I might say in either the hearings here or on the House side this point was raised and we wanted to make it clear that this was our understanding too.

The following provisions of S. 1512 are desirable to facilitate well-rounded credit services to agriculture:

(1) Repeal of the statutory 5-percent interest rate limitation on Federal land bank bonds and the companion 6-percent interest rate limitation on loans.

It is to be hoped, of course, that moneylending rates will be such as to preclude any difficulty in marketing Federal land bank bonds under 5 percent, but the banks should not be restricted from functioning in the event market rates require something higher than the statutory limitation.

The 6-percent rate for interest on loans must also yield to the same situation in order to preserve the same percent operating margin.

Senator HOLLAND. In other words you think that a 1 percent operating margin is a sound basis for a prosperous and useful operation of the land bank system?

Mr. HALL. We certainly do, yes; it has fortunately developed that 1 percent is fractionally a little more than maybe is needed. But this is the margin out of which we have this \$400-odd million of surplus which was reported earlier.

(2) Repeal of the \$200,000 maximum loan limit will enable the banks to obtain a portion of the larger scale loans such as are required for conservation and timber farming. The advantage of larger loans in a cooperative credit organization reflects lower net credit costs to all borrowers, and especially to the smaller ones.

Senator HOLLAND. Will you yield for another comment there?

I would like to ask the clerk of the committee if the commercial banking and lending institutions have objected in any way or have we heard from any of them by way of objections to this feature or any other feature of the proposed legislation?

Mr. MOUSER. I do not recall that we have heard from any commercial bank in regard to this legislation.

Senator HOLLAND. Do you know of any objection, Mr. Hall, from the other lenders?

Mr. HALL. No.

Senator HOLLAND. To this provision?

Mr. HALL. I have heard of none.

Senator HOLLAND. Governor Tootell, have you heard of any objection from the commercial lenders?

Mr. TOOTELL. No, we have not heard any objections, Senator Holland.

Senator HOLLAND. Thank you.

Mr. HALL. (3) The authority to make loans on an unamortized or partially amortized basis will make possible a greater degree of flexibility of credit terms now being required. This provision has merit for borrowers who can meet security requirements for this type of loan.

Senator HOLLAND. In other words, you mean that when the borrower has ample property—and let's say he is producing a forest, and the trees growing there present ample credit backlog—you think that the method of retirement should lend itself to the known fact that the timber is not going to be harvested until after it has grown for several years?

Mr. HALL. That's right.

Senator HOLLAND. All right, sir.

Mr. HALL. And conversely where people have started in with a rather large mortgage and amortized it down for, say, 15 or 20 years and perhaps would like to stabilize it from there on, all other things, all other credit relations being suitable to that, that might be a suitable thing. It operates from both ends.

Senator HOLLAND. All right.

Mr. HALL. (4) The provision for adding the purchase of capital stock to the present loan limit of 65 percent of normal value will have the effect of a loan of 68.25 percent of the value of the security offered, including the stock pledged. In view of the surpluses which have accumulated in the associations and the banks, this provision has merit.

Senator HOLLAND. In other words, as I would understand that, though you have not said it, you would expect the rate of accumulation of surplus to go down slightly with that type of operation, wouldn't you?

Mr. HALL. No, I wouldn't see any reason for the rate of accumulation of surplus going down on account of this at all.

Senator HOLLAND. You cite the rapid rate of accumulation of surplus and the large amount of surplus as a fact which gives merit to the raising of the credit rate from 65 percent of the assessed value to 68.25.

Mr. HALL. I don't see that it affects surplus at all because surplus is a reflection of earnings, and there is indeed somewhat more earnings in the system with the 65 percent loan plus the stock than there was before.

Senator HOLLAND. You don't think that that rate of accumulation would be reduced somewhat even though a small amount, by the raising of the credit standard to 68.25?

Mr. HALL. I don't see that it would.

Senator HOLLAND. All right, sir.

Mr. HALL. However, I would leave a more exact answer to those who work with the figures.

S. 1513, is in accord with the basic objectives of the Farm Credit Act of 1953 and will further accomplish the decentralization policy. It will enable the banks and associations to establish employment, retirement, and other personnel policies independent of the provisions of laws governing Federal employees.

With the exception respecting mergers, we recommend these bills be approved.

Senator HOLLAND. We understand an approving letter is on the way from the Grange and if it is received and incorporated in the record that would mean that all three of the farm organizations have approved it and that the American Council for Cooperatives, which is organized on a little different basis, has also approved it.

Is there any showing of objections from agricultural organizations?

Senator Talmadge, do you know of any?

Senator TALMADGE. None.

Senator HOLLAND. I will hold the record open for the inclusion of any written statements from Senators or the Grange or other individuals or groups that may wish to contribute anything in writing until Thursday, and unless there is a request for further hearings now subject only to that condition the hearings will be closed.

Thank you.

(Whereupon, at 11:40 a.m. the hearing was adjourned.)

(Letter filed for the record is as follows:)

NATIONAL GRANGE,
Washington, D.C., April 8, 1959.

HON. SPESSARD L. HOLLAND,
*Chairman, Subcommittee on Agricultural Credit and Rural Electrification,
Senate Committee on Agriculture and Forestry,
Senate Office Building, Washington, D.C.*

DEAR SENATOR HOLLAND: The National Grange executive committee in session in Washington, D.C., on Wednesday passed unanimously a resolution directing this office to support, in principle, S. 1512 and S. 1513 which amends the Federal Farm Loan Act.

It is our hope that you and the committee will find it possible to recommend passage of this measure and that the Congress itself will approve it.

Respectfully yours,

HERSCHEL D. NEWSOM, *Master.*

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LEGISLATIVE HISTORY

Public Law 86-168

S. 1512

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Index and summary of S. 1512.....	1
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INDEX AND SUMMARY OF S. 1512

Mar. 17, 1959 Rep. Cooley introduced H. R. 5740 which was referred to House Committee on Agriculture. Print of bill as introduced.

Mar. 23, 1959 Senator Ellender and Senator Aiken introduced and Senator Ellender discussed S. 1512. Print of bill as introduced and remarks of Senator Ellender.

Rep. Hoeven introduced H. R. 5929 which was referred to House Committee on Agriculture. Print of bill as introduced.

Apr. 13, 1959 House subcommittee ordered H. R. 5740 reported.

Apr. 14, 1959 Rep. Cooley introduced H. R. 6353 which was referred to House Committee on Agriculture. Print of bill as introduced.

Apr. 16, 1959 House committee ordered H. R. 6353 reported without amendment.

Apr. 20, 1959 House committee reported H. R. 6353 without amendment. House Report 287. Print of bill and House report.

May 27, 1959 Senate subcommittee voted to report S. 1512 with amendment.

June 3, 1959 Senate committee voted to report S. 1512.

June 5, 1959 Senate committee reported S. 1512 with amendments. Senate report 349. Print of bill and Senate Report.

June 12, 1959 Senate passed over S. 1512.

July 16, 1959 Senate passed S. 1512 with amendments.

Aug. 3, 1959 House passed S. 1512 with amendment in lieu of H.R. 6353.

Aug. 6, 1959 Senate concurred in House amendment.

Aug. 18, 1959 Approved: Public Law 86-168.

Hearings: Senate Committee on Agriculture and Forestry,
on S. 1512

DIGEST OF PUBLIC LAW 86-168

FARM CREDIT ACT OF 1959. Transfers primary responsibility for appraisers and appraisals for Federal land bank loans from the Farm Credit Administration to the respective land banks, but authorizes the Farm Credit Administration to establish appraisal standards, review appraisals made, and make its own appraisals when necessary. Repeals the 5 percent statutory interest rate maximums on farm loans bonds. Repeals the \$200,000 maximum on land bank loans, but retains the required approval by the Farm Credit Administration of loans exceeding \$100,000 and the 65 percent loan-value ratio limit. Includes authorization for unamortized or partially amortized loans. Changes the names of national farm loan associations to Federal land bank associations, the names of secretary treasurers to managers, and land bank appraisers to farm credit appraisers. Authorizes the farm credit board of each district and the board of directors of each bank to employ and determine the conditions of employment of joint officers and employees and of separate officers and employees of each bank, respectively, without regard to civil service laws and regulations, the Federal Employees' Compensation Act, the Hatch political activities act, the Veterans' Preference Act, and the Civil Service Retirement Act, except that employees under the Civil Service Retirement Act on December 31, 1959, continue under that system.

86TH CONGRESS
1ST SESSION

H. R. 5740

IN THE HOUSE OF REPRESENTATIVES

MARCH 17, 1959

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1959".

5 TITLE I—FEDERAL LAND BANKS

6 SEC. 101. Section 3 of the Federal Farm Loan Act, as
7 amended, is amended—

8 (a) by changing the paragraph thereof relating to
9 the appointment of registrars, appraisers, and examiners
10 (12 U.S.C. 656) to read:

1 “The Farm Credit Administration shall appoint a farm
2 loan registrar for each farm credit district to receive appli-
3 cations for issues of farm loan bonds and to perform such
4 other services as are prescribed by this Act, and may appoint
5 a deputy registrar who shall during the unavoidable absence
6 or disability of the registrar perform the duties of that office.
7 It shall also appoint as many farm credit appraisers and farm
8 credit examiners as it shall deem necessary. Such farm loan
9 registrars, deputy registrars, farm credit appraisers, and farm
10 credit examiners shall have no connection with or interest in
11 any institution, association, or partnership engaged in banking
12 or in the business of making land mortgage loans or selling
13 land mortgages but they may perform such duties as are
14 authorized by the Farm Credit Administration in connection
15 with the business of the banks and associations it supervises:
16 *Provided*, That this limitation shall not apply to persons
17 employed by the Farm Credit Administration on a temporary
18 basis.”;

19 (b) by deleting the paragraph thereof relating to
20 the compensation of appraisers and inspectors (12
21 U.S.C. 658) ;

22 (c) by deleting the paragraph thereof relating to
23 the employment of certain personnel by the Farm Credit
24 Administration (12 U.S.C. 659) ; and

(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

SEC. 102. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read:

“Any person desiring to secure a loan through a Federal land bank association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the National Farm Loan Association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act.”

(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751-757), is amended to read:

“SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report

1 on the security by an appraiser designated or appointed
2 by the Federal land bank of the district and such appraiser
3 shall investigate and make a written report upon the security
4 offered. Such appraisal, investigation, and report shall be
5 made in accordance with appraisal standards prescribed by
6 the Farm Credit Administration and may be made by any
7 competent person (including an employee of a Federal land
8 bank association) when designated for that purpose by the
9 Federal land bank of the district. The loan committee shall
10 cause a written report to be made of the results of such
11 investigations of the applicant and the security and shall, if
12 it concurs in such report, approve the same in writing.
13 After the loan committee has reached an agreement as to
14 the amount and terms of the loan which may be offered to
15 the applicant, if such amount is not in excess of 65 per
16 centum of the normal value of the security offered as de-
17 termined by said appraiser, the association may notify the
18 applicant of the amount and terms of the loan approved
19 by the loan committee: *Provided*, That any such notice shall
20 contain a statement that the amount and terms of the loan
21 offered to the applicant are subject to and conditioned upon
22 subsequent approval or disapproval by the Federal land
23 bank.

24 “(b) The written report of the loan committee and the
25 report made by an appraiser designated or appointed by the

1 Federal land bank shall be submitted to the Federal land
2 bank with the application for the loan, and the land bank
3 shall examine said reports when it passes on the loan appli-
4 cation which they accompany. No loan shall be made unless
5 the report of the loan committee and the report of the
6 appraiser are favorable.

7 “(c) All appraisal reports shall be made on forms
8 approved by the Farm Credit Administration.

9 “(d) No farm credit appraiser and no appraiser desig-
10 nated or appointed by a Federal land bank shall make any
11 appraisal in connection with a loan in which he is interested,
12 directly or indirectly. No member of a loan committee or of
13 a board of directors of a Federal land bank association shall
14 participate in the consideration of or action on any loan in
15 which he is interested, directly or indirectly.

16 “(e) Each Federal land bank shall conduct studies in
17 such manner and to such extent as the Farm Credit Adminis-
18 tration deems necessary in connection with the appraisal
19 standards prescribed for the district.

20 “(f) Notwithstanding the foregoing provisions of this
21 section—

22 “(1) appraisal reports made by appraisers hereto-
23 fore or hereafter appointed by the Farm Credit Adminis-
24 tration pursuant to section 3 of this Act may be used
25 as a basis for Federal land bank loans;

1 “(2) the Farm Credit Administration may, in its
2 discretion and in such circumstances and for such periods
3 as it deems necessary, direct that any or all appraisals
4 in connection with loans by any Federal land bank, or
5 appraisal standards studies required by subsection (e),
6 shall be made by farm credit appraisers appointed pur-
7 suant to section 3 of this Act; and

8 “(3) for purposes of paragraph (2) of this sub-
9 section, the Farm Credit Administration is authorized
10 to employ additional farm credit appraisers, including
11 such appraisers as it may select who have been designated
12 or appointed by a Federal land bank, and to require
13 that the salaries and other expenses of all such addi-
14 tional appraisers be paid by the Federal land bank
15 served by them in such manner as the Farm Credit
16 Administration shall determine.

17 “(g) Farm credit appraisers appointed pursuant to sec-
18 tion 3 of this Act shall make such reviews and investi-
19 gations as the Farm Credit Administration determines to
20 be necessary to assure compliance with the appraisal stand-
21 ards prescribed by it pursuant to subsection (a) of this
22 section; make such additional reviews and investigations
23 concerning the quality of first mortgages securing farm
24 loan bonds as the Farm Credit Administration shall direct;
25 and perform such other duties as may be prescribed by the

1 Farm Credit Administration. Any first mortgage which is
2 found not to conform to the appraisal and loan standards
3 prescribed by the Farm Credit Administration shall not be
4 credited toward meeting the amount of bond collateral which
5 a Federal land bank is required to maintain with a farm loan
6 registrar except in such amount as the Farm Credit Admin-
7 istration shall approve.”

8 SEC. 103. On the effective date of this title each land
9 bank appraiser shall be transferred from the Farm Credit
10 Administration to the Federal land bank served by him
11 immediately prior to said effective date, without reduction in
12 salary and accumulated leave, unless the Farm Credit Admin-
13 istration, in its discretion, determines that individual ap-
14 praisers shall be retained as farm credit appraisers. The
15 selection of personnel for transfer, or for retention as farm
16 credit appraisers, shall be without regard to section 12 of the
17 Veterans' Preference Act of 1944, as amended (5 U.S.C.
18 861). Land bank appraisers shall be subject to the same
19 employment conditions as other bank employees after transfer
20 under this section. At least sixty days prior to the effective
21 date of this title the Farm Credit Administration shall notify
22 each land bank appraiser that he is to be transferred to a
23 Federal land bank or that he is to be retained in the Farm
24 Credit Administration. Any land bank appraiser who notifies
25 the Farm Credit Administration in writing at least thirty

1 days before the effective date of this title that he does not
2 desire to accept employment as stated in the notice from the
3 Farm Credit Administration shall be separated from employ-
4 ment on said effective date and such separation shall be
5 deemed involuntary.

6 SEC. 104. (a) Section 12 of the Federal Farm Loan
7 Act, as amended (12 U.S.C. 771), is amended by (1)
8 changing the last proviso of paragraph second thereof to
9 read: "*And provided further*, That any land bank may make
10 loans on an unamortized or partially amortized basis, under
11 rules and regulations issued by the Farm Credit Administra-
12 tion."; (2) deleting paragraph third thereof; (3) strik-
13 ing out of paragraph seventh thereof "loans to any one
14 borrower shall in no case exceed a maximum of \$200,000,
15 but"; and (4) striking out of the first and second sentences
16 of paragraph ninth thereof "a rate not exceeding 6 per
17 centum per annum" and inserting in lieu thereof "a rate ap-
18 proved by the Farm Credit Administration".

19 (b) Section 20 of the Federal Farm Loan Act, as
20 amended (12 U.S.C. 861), is amended by deleting the
21 second sentence thereof.

22 (c) The first and second sentences of section 23 of the
23 Federal Farm Loan Act, as amended (12 U.S.C. 901), are

1 amended by substituting “at the end of each fiscal year” for
2 “semiannually” therein.

3 (d) The first and second sentences of section 24 of the
4 Federal Farm Loan Act, as amended (12 U.S.C. 911), are
5 amended by substituting “at the end of each fiscal year” for
6 “semiannually” therein.

7 (e) The fifth paragraph of section 29 of the Federal
8 Farm Loan Act, as amended (12 U.S.C. 965), is amended
9 to read:

10 “No Federal land bank association or Federal land bank
11 shall go into voluntary liquidation without the written con-
12 sent of the Farm Credit Administration, but the Farm Credit
13 Administration may permit or by order effect the merger or
14 consolidation of two or more contiguous Federal land bank
15 associations subject to such terms, conditions, and provisions
16 as the Farm Credit Administration in its discretion deter-
17 mines to be fair and equitable.”

18 (f) The seventh paragraph of section 29 of the Federal
19 Farm Loan Act, as amended (12 U.S.C. 967), is amended
20 by changing “land bank appraiser” in the second and third
21 sentences thereof to “farm credit appraiser”.

22 (g) Section 202 (c) of the Federal Farm Loan Act, as

1 amended (12 U.S.C. 1033), is amended by changing the
2 period at the end thereof to a comma and adding the fol-
3 lowing: "and any Federal intermediate credit bank may in
4 its discretion purchase such loans or discounts with or with-
5 out such endorsement."

6 (h) Section 208 (c) of the Federal Farm Loan Act, as
7 amended (12 U.S.C. 1093), is amended by changing "Land
8 bank appraisers" in the first sentence thereof to "Farm credit
9 appraisers".

10 (i) The Federal Farm Loan Act, as amended (12
11 U.S.C. 641 et seq.), and any other Act of Congress in which
12 the words appear, are amended by changing "national farm
13 loan association" and "national farm loan associations" to
14 "Federal land bank association" and "Federal land bank
15 associations", respectively.

16 (j) The Federal Farm Loan Act, as amended (12
17 U.S.C. 641 et seq.), and any other Act of Congress in which
18 the words appear, are amended by changing "secretary-
19 treasurer" and "secretary-treasurers", when used to mean
20 the secretary-treasurer of a national farm loan association
21 (herein renamed "Federal land bank association"), to "man-
22 ager" and "managers", respectively.

23 (k) Section 23 of the Farm Credit Act of 1933, as
24 amended (12 U.S.C. 1131g), is amended by inserting as
25 the second sentence thereof the following: "Such loans shall

1 bear such rates of interest as are authorized from time to
2 time by the Federal intermediate credit bank of the district.”

3 (1) This title shall become effective December 31, 1959.

4 TITLE II—STATUS OF FARM CREDIT BANKS AND
5 EMPLOYEES

6 SEC. 201. Notwithstanding any other provision of law,
7 and in order to encourage and facilitate increased borrower
8 participation in the management and control of institutions
9 operating under the supervision of the Farm Credit Admin-
10 istration in accordance with the policy declared in section 2
11 of the Farm Credit Act of 1953 (12 U.S.C., supp. IV,
12 636a), section 6 of the Farm Credit Act of 1937, as amended
13 (12 U.S.C. 540l), is amended as follows:

14 (a) By inserting “(a)” immediately following “SEC.
15 6.”, by redesignating subsections “(a)” and “(b)” as para-
16 graphs “(1)” and “(2)”, respectively, and by deleting
17 subsection “(c)”.

18 (b) By adding the following at the end of paragraph
19 (1) of subsection (a) thereof (as redesignated herein):
20 “The employment, compensation, leave, retirement (except
21 as provided in subsection (e) hereof), hours of duty, and all
22 other conditions of employment of such joint officers and
23 employees employed by the district farm credit board, and
24 of separate officers and employees of the Federal land bank,
25 Federal intermediate credit bank, and bank for cooperatives

1 of the district employed by the board of directors of such
2 banks, shall be determined by the respective boards without
3 regard to the laws from which exemption is granted in this
4 section, but all such determinations shall be consistent with
5 the laws under which such banks are organized and operate.
6 Appointments, promotions, and separations so made shall be
7 based on merit and efficiency and no political test or quali-
8 fication shall be permitted or given consideration. The dis-
9 trict farm credit board shall, under rules and regulations
10 prescribed by the Farm Credit Administration, provide for
11 veterans' preference and limitations against political activity
12 for such officers and employees substantially similar to the
13 preference and limitations to which such officers and em-
14 ployees were subject upon enactment of this sentence."

15 (c) By adding the following new subsections after sub-
16 section (a) thereof (as redesignated herein) :

17 " (b) The provisions of section 1753 of the Revised
18 Statutes (5 U.S.C. 631) and the Act of January 16, 1883,
19 entitled 'An Act to regulate and improve the civil service
20 of the United States', as amended (22 Stat. 403; 5 U.S.C.
21 632 et seq.), any laws supplementary thereto, including
22 but not limited to the Act of August 24, 1912, as amended
23 (5 U.S.C. 652), section 1 of the Act of November 26, 1940,
24 as amended (5 U.S.C. 631a), and section 1310 of the Sup-
25 plemental Appropriation Act, 1952, as amended (5 U.S.C.

1 43, note), and any rules, orders, or regulations promulgated
2 for carrying such Acts or laws into effect, shall not apply
3 to a Federal land bank, Federal intermediate credit bank,
4 or bank for cooperatives, or to its directors, officers, or
5 employees.

6 “(c) The Federal Employees’ Compensation Act, as
7 amended (5 U.S.C. 15), shall not be applicable in respect
8 to the injury, disability, or death of any employee of a
9 Federal land bank, Federal intermediate credit bank, or
10 bank for cooperatives unless such injury, disability, or death
11 (or cause thereof) occurred before January 1, 1960.

12 “(d) Section 9 of the Hatch Act, as amended (5 U.S.C.
13 118i), and the Veterans’ Preference Act of 1944, as amended
14 (5 U.S.C. 851-869), shall not be deemed to apply to a
15 Federal land bank, Federal intermediate credit bank, or bank
16 for cooperatives, or to its directors, officers, or employees.

17 “(e) Each officer and employee of a Federal land bank,
18 Federal intermediate credit bank, or bank for cooperatives
19 who, on December 31, 1959, is within the purview of the
20 Civil Service Retirement Act, as amended (5 U.S.C., supp.
21 IV, ch. 30), shall continue so during his continuance as an
22 officer or employee of any such banks without break in con-
23 tinuity of service. Any other officer or employee of such
24 banks and any other person entering upon employment with
25 any such banks after December 31, 1959, shall not be covered

1 under the civil service retirement system by reason of such
2 employment, except that (1) a person who, on December
3 31, 1959, is within the purview of the Civil Service Retirement
4 Act, as amended, and thereafter becomes an officer or
5 employee of any such banks without break in continuity of
6 service shall continue under the civil service retirement system
7 during his continuance as an officer or employee of any
8 such banks without break in continuity of service and (2) a
9 person who has been within the purview of said Act as an
10 officer or employee of such banks and, after a break in such
11 employment, again becomes an officer or employee of any
12 such banks may elect to continue under the civil service
13 retirement system during his continuance as such officer or
14 employee by so notifying the Civil Service Commission in
15 writing within thirty days after such reemployment.

16 “(f) In addition to such amounts as they are required
17 to contribute to the civil service retirement and disability
18 fund under section 4 (a) of the Civil Service Retirement Act,
19 as amended (5 U.S.C., supp. IV, 2254 (a)), each Federal
20 land bank, Federal intermediate credit bank, and bank for
21 cooperatives shall, for each fiscal year after June 30, 1960,
22 pay to the Farm Credit Administration to be covered into
23 the Treasury as miscellaneous receipts, its fair portion of the
24 cost of administration of said fund as determined in annual
25 billings by the Civil Service Commission.

1 “(g) Any Federal land bank, Federal intermediate
2 credit bank, or bank for cooperatives may, subject to the
3 approval of the Farm Credit Administration, establish a
4 retirement system for its officers and employees either sepa-
5 rately or jointly with any other corporation under the
6 supervision of the Farm Credit Administration. In deter-
7 mining eligibility for or the amount of any benefit under
8 any such retirement system, there shall not be taken into
9 account any service which is creditable under the Civil
10 Service Retirement Act, as amended, but service which
11 constitutes employment as defined in section 210 (a) of the
12 Social Security Act, as amended (42 U.S.C., supp. IV,
13 410 (a)), may be so taken into account notwithstanding
14 section 115 of the Social Security Amendments of 1954
15 (42 U.S.C., supp. IV, 410, note) or any other provision
16 of law.

17 “(h) Subsections (b), (c), (d), (e), (f), and (g)
18 of this section shall apply to the Central Bank for Coopera-
19 tives and its personnel and the board of directors of the
20 Central Bank for Cooperatives shall have all the authority
21 and responsibility with respect to personnel of such central
22 bank as is vested in the farm credit board of a district or
23 the board of directors of a district bank for cooperatives with
24 respect to personnel of any such district bank under sub-
25 section (a) (1) of this section.”

1 SEC. 202. (a) Section 210 (a) (6) (B) (ii) of title II
2 of the Social Security Act, as amended (42 U.S.C., supp.
3 IV, 410 (a) (6) (B) (ii)), and section 3121 (b) (6) (B)
4 (ii) of the Internal Revenue Code of 1954, as amended
5 (26 U.S.C., supp. IV, 3121 (b) (6) (B) (ii)), are each
6 amended by inserting "a Federal land bank, a Federal inter-
7 mediate credit bank, a bank for cooperatives," immediately
8 before the words "a national farm loan association" therein.

9 (b) Section 2680 of title 28, United States Code, is
10 amended by adding at the end thereof the following new
11 subsection: "(n) Any claim arising from the activities of
12 a Federal land bank, a Federal intermediate credit bank,
13 or a bank for cooperatives."

14 (c) Section 102 (b) of the Federal Employees Pay
15 Act of 1945, as amended (5 U.S.C. 902 (b)), is amended
16 by striking out "and" immediately preceding "(6)" therein
17 and by inserting before the period at the end thereof "; and
18 (7) officers and employees of a Federal land bank, a Federal
19 intermediate credit bank, or a bank for cooperatives".

20 (d) Section 303 of the Government Employees' In-
21 centive Awards Act (5 U.S.C., supp. IV, 2122) is amended
22 by inserting within the parentheses after the words "the
23 Tennessee Valley Authority" the words "or the Central
24 Bank for Cooperatives".

25 (e) Section 205 (e) of the Annual and Sick Leave

1 Act of 1951, as added by section 4 (b) of the Act of July 2,
2 1953 (5 U.S.C., supp. IV, 2064 (e)), and section 1 of
3 the Act of December 21, 1944, as amended by section 4 (a)
4 of the Act of July 2, 1953 (5 U.S.C., supp. IV, 61b),
5 are each amended by substituting “(C), (H), or (I)” for
6 “(C), or (H)” therein.

7 SEC. 203. (a) Nothing in this title shall be deemed
8 to amend, alter, repeal, or restrict the application of (1)
9 section 190 of the Revised Statutes (5 U.S.C. 99), relating
10 to the prosecution of claims against the United States by
11 former employees; (2) the Act of August 26, 1950 (5
12 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and
13 separation of employees for security reasons; (3) section
14 710 (e) of the Defense Production Act of 1950, as amended
15 (50 U.S.C., app., supp. IV, 2160 (e)), relating to the
16 authority of the President to provide for an executive reserve
17 training program; or (4) any Act of Congress the violation
18 of which is punishable by a fine or imprisonment, or both.

19 (b) Any Act of Congress enacted after the effective
20 date of this title and which states that it shall be applicable
21 to agencies or instrumentalities of the United States or to
22 corporations controlled or owned, in whole or in part, by
23 the United States, or to officers and employees of the United
24 States or such agencies or instrumentalities or corporations,
25 shall not be applicable to a Federal land bank, Federal inter-

1 mediate credit bank, or bank for cooperatives, or to its
2 directors, officers, or employees unless such Act specifically
3 so provides by naming such banks.

4 (c) This title shall become effective January 1, 1960.

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

By Mr. COOLEY

MARCH 17, 1959

Referred to the Committee on Agriculture

March 23, 1959

2. AREA REDEVELOPMENT. Rep. Irwin inserted his statement supporting enactment of legislation to aid economically depressed areas. pp. A2558-9
3. FOREIGN TRADE. Extension of remarks of Rep. Simpson urging support for legislation to "strengthen the escape clause in the Trade Agreements Act." pp. A2566-7
4. FORESTRY. Sen. Neuberger inserted an article, "Portlander Sees Timber as Principal Source of Income in Oregon for Another Century." p. A2528
Rep. Miller, Calif., inserted an article, "The Crisis in Outdoor Recreation," stating that outdoor recreational facilities are not keeping up with demand. pp. A2548-51
5. INFLATION. Sen. Bridges inserted an article, "The Challenge of Inflation." pp. A2514-15
Sen. Kefauver inserted two articles discussing administered prices and the effects on inflation. pp. A2515-6, A2522
6. FARM PROGRAM. Sen. Capehart inserted his newsletter stating that the agriculture problem was one of the four main National problems, that the "price support program ... has failed to accomplish the purpose for which it was intended," and that "we continue to involve farming, strictly a private enterprise, with politics." pp. A2509-10
Rep. Jones, Mo., inserted a speech of Sen. Symington criticizing the present farm program as "bad for the farmer, bad for the consumer, and bad for the Government, because it has caused lower farm prices, higher food prices, and costly surpluses," and urged greater use of farm surpluses in areas of economic distress and abroad. pp. A2535-7
Rep. Bentley inserted a speech by Under Secretary Morse before the Michigan Junior Chamber of Commerce stressing the progress made in farm income, land values, crop output, standards of living, urging a change in farm price support laws, and favoring a balanced budget. pp. A2547-8
7. BUDGET; ECONOMIC CONDITIONS. Sen. Proxmire inserted a statement by Rep. Reuss urging "growth through bold economic policies," and criticizing the Administration's budget balancing policies. pp. A2510-11
Sen. Sparkman inserted an article, "High Cost of Federal Government Blocks Efforts on Local Level," and stated that "it may very well demonstrate, also, the unreasonableness of the point ... that local governments should participate more fully in various aid programs." pp. A2511-2
Sen. Proxmire inserted an article, "Budget Blur: Democrats Aren't Meeting Issue Head On," stating that Democrats should present a complete budget instead of "jiggering the budget piecemeal." p. A2519
38. WILDERNESS PRESERVATION. Sen. Neuberger inserted a speech favoring the adoption of the National Wilderness bill. pp. A25193-4

BILLS INTRODUCED

39. MINERALS. S. 1496, and S. 1497, by Sen. Anderson, Mont., (by request) to amend the Mineral Leasing Act of February 25, 1920 (41 Stat. 437), as amended; to Interior and Insular Affairs Committee.
40. FARM CREDIT. S. 1512, by Sen. Ellender (for himself and Sen. Aiken) (by request), and H. R. 5929, by Rep. Hoeven, to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land bank; to S. Agriculture and Forestry Committee and H. Agriculture Committee. Remarks of Sen. Ellender. pp. 4342-3

S. 1513, by Sen. Ellender (for himself and Sen. Aiken), to clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees; to Agriculture and Forestry Committee.

41. CREDIT UNIONS. S. 1501, by Sen. McCarthy, to permit Federal employees to repay indebtedness to or purchase shares of Federal credit unions through voluntary payroll deductions; to Banking and Currency Committee.
H. R. 5939, by Rep. Powell, and H. R. 5958, by Rep. Johnson, Colo., to amend the Federal Credit Union Act; to Banking and Currency Committee.
42. LOANS. H. R. 5941, by Rep. Rains, and H. R. 5944, by Rep. Spence, to expand the public facility loan program of the Community Facilities Administration of the Housing and Home Finance Agency; to Banking and Currency Committee. Remarks of Rep. Spence. p. 4444
43. FARM LABOR. H. R. 5930, by Rep. Kearns, to provide for the registration of crew leaders in interstate agricultural employment; to Education and Labor Committee. Remarks of author. p. 4488
H. R. 5949, by Rep. Elliott, to amend the Fair Labor Standards Act of 1938, as amended, to insure to farmers engaged in raising livestock an exemption for the employment in agriculture of certain of their employees engaged in other duties related to livestock auction operations; to Education and Labor Committee.
44. PRICE SUPPORT. S. 1499, by Sen. Mundt, to provide full parity price support for basic agricultural commodities, limit support for basic and nonbasic commodities to \$10,000 per producer, and repeal authority for marketing quotas; to Agriculture and Forestry Committee. Remarks of author. pp. 4339-40
45. PERSONNEL. S. 1506, by Sen. Smathers, to provide increases in annuities of certain individuals retired prior to April 1, 1948, under the Civil Service Retirement Act of May 29, 1930, as amended; to Post Office and Civil Service Committee.
46. MILK. S. 1510, by Sen. Wiley, to increase the authorized maximum expenditure for the fiscal year 1959 under the special milk program; to Agriculture and Forestry Committee. Remarks of Sen. Wiley. p. 4341-2
H. R. 5932, by Rep. Laird, to increase and extend the special milk program
47. for children; to Agriculture Committee.
47. RECLAMATION. H. R. 5936, by Rep. Morris, Okla., to authorize the construction, operation, and maintenance of the Canton project, Okla., by the Secretary of the Interior; to Interior and Insular Affairs Committee.
48. MONOPOLIES. H. R. 5942, by Rep. Roosevelt, to amend section 4 of the Sherman Act to prescribe a procedure with respect to consent judgments, decrees, or orders; to Judiciary Committee. Remarks of author. p. 4476
49. WATER COMPACT. H. R. 5947, by Rep. Bray, granting the consent and approval of Congress to the Wabash Valley compact; to Judiciary Committee.
50. FOREIGN TRADE. H. R. 5952, by Rep. Fisher, to regulate the foreign commerce of the United States by amending section 350 of the Tariff Act of 1930, as amended; to Ways and Means Committee.

S. 1512

IN THE SENATE OF THE UNITED STATES

MARCH 23, 1959

Mr. ELLENDER (for himself and Mr. AIKEN) (by request) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 3 of the Federal Farm Loan Act, as amended,
4 is amended—

5 (a) by changing the paragraph thereof relating
6 to the appointment of registrars, appraisers, and ex-
7 aminers (12 U.S.C. 656) to read:

8 “The Farm Credit Administration shall appoint a farm
9 loan registrar for each farm credit district to receive appli-
10 cations for issues of farm loan bonds and to perform such

1 other services as are prescribed by this Act, and may appoint
2 a deputy registrar who shall during the unavoidable absence
3 or disability of the registrar perform the duties of that office.
4 It shall also appoint as many farm credit appraisers and farm
5 credit examiners as it shall deem necessary. Such farm
6 loan registrars, deputy registrars, farm credit appraisers, and
7 farm credit examiners shall have no connection with or in-
8 terest in any institution, association, or partnership engaged
9 in banking or in the business of making land mortgage loans
10 or selling land mortgages but they may perform such duties
11 as are authorized by the Farm Credit Administration in
12 connection with the business of the banks and associations it
13 supervises: *Provided*, That this limitation shall not apply
14 to persons employed by the Farm Credit Administration
15 on a temporary basis.”;

16 (b) by deleting the paragraph thereof relating to
17 the compensation of appraisers and inspectors (12
18 U.S.C. 658) ;

19 (c) by deleting the paragraph thereof relating to
20 the employment of certain personnel by the Farm Credit
21 Administration (12 U.S.C. 659) ; and

22 (d) by deleting the second sentence of the third
23 paragraph from the end thereof (12 U.S.C. 662) .

24 SEC. 2. (a) The second paragraph of section 9 of the

1 Federal Farm Loan Act, as amended (12 U.S.C. 742), is
2 amended to read:

3 "Any person desiring to secure a loan through a national
4 farm loan association under the provisions of this Act may,
5 at its option, borrow from the Federal land bank through
6 such association the sum necessary to pay for shares of stock
7 subscribed for by him in the national farm loan association.
8 Any such sum for the purchase of stock shall be made a part
9 of the face amount of the loan and such sum shall for all
10 purposes be additional to the 65 per centum of the normal
11 value of the farm as specified in any provision of this Act."

12 (b) Section 10 of the Federal Farm Loan Act, as
13 amended (12 U.S.C. 751-757), is amended to read:

14 "SEC. 10. (a) Whenever an application for a mortgage
15 loan is made to a Federal land bank association, the loan
16 committee provided for in section 7 of this Act shall cause
17 to be made such investigation as it may deem necessary as
18 to the character and solvency of the applicant and the suffi-
19 ciency of the security offered. When it appears that a loan
20 may be approved, the loan committee shall obtain a written
21 report on the security by an appraiser designated or ap-
22 pointed by the Federal land bank of the district and such
23 appraiser shall investigate and make a written report upon
24 the security offered. Such appraisal investigation and report
25 shall be made in accordance with appraisal standards pre-

1 scribed by the Farm Credit Administration and may be made
2 by any competent person (including an employee of a Fed-
3 eral land bank association) when designated for that purpose
4 by the Federal land bank of the district. The loan committee
5 shall cause a written report to be made of the results of such
6 investigations of the applicant and the security and shall, if
7 it concurs in such report, approve the same in writing. After
8 the loan committee has reached an agreement as to the
9 amount and terms of the loan which may be offered to the
10 applicant, if such amount is not in excess of 65 per centum
11 of the normal value of the security offered as determined by
12 said appraiser, the association may notify the applicant of
13 the amount and terms of the loan approved by the loan com-
14 mittee: *Provided*, That any such notice shall contain a state-
15 ment that the amount and terms of the loan offered to the
16 applicant are subject to and conditioned upon subsequent ap-
17 proval or disapproval by the Federal land bank.

18 “(b) The written report of the loan committee and
19 the report made by an appraiser designated or appointed by
20 the Federal land bank shall be submitted to the Federal land
21 bank with the application for the loan, and the land bank
22 shall examine said reports when it passes on the loan appli-
23 cation which they accompany. No loan shall be made
24 unless the report of the loan committee and the report of
25 the appraiser are favorable.

1 “(c) All appraisal reports shall be made on forms
2 approved by the Farm Credit Administration.

3 “(d) No farm credit appraiser and no appraiser design-
4 nated or appointed by a Federal land bank shall make any
5 appraisal in connection with a loan in which he is interested,
6 directly or indirectly. No member of a loan committee or
7 of a board of directors of a Federal land bank association
8 shall participate in the consideration of or action on any
9 loan in which he is interested, directly or indirectly.

10 “(e) Each Federal land bank shall conduct studies in
11 such manner and to such extent as the Farm Credit Admin-
12 istration deems necessary in connection with the appraisal
13 standards prescribed for the district.

14 “(f) Notwithstanding the foregoing provisions of this
15 section—

16 “(1) appraisal reports made by appraisers hereto-
17 fore or hereafter appointed by the Farm Credit Admin-
18 istration pursuant to section 3 of this Act may be used as
19 a basis for Federal land bank loans;

20 “(2) the Farm Credit Administration may, in its
21 discretion and in such circumstances and for such periods
22 as it deems necessary, direct that any or all appraisals
23 in connection with loans by any Federal land bank, or
24 appraisal standards studies required by subsection (e),

1 shall be made by farm credit appraisers appointed pur-
2 suant to section 3 of this Act; and

3 “(3) for purposes of paragraph (2) of this sub-
4 section, the Farm Credit Administration is authorized
5 to employ additional farm credit appraisers, including
6 such appraisers as it may select who have been desig-
7 nated or appointed by a Federal land bank, and to re-
8 quire that the salaries and other expenses of all such
9 additional appraisers be paid by the Federal land bank
10 served by them in such manner as the Farm Credit
11 Administration shall determine.

12 “(g) Farm credit appraisers appointed pursuant to sec-
13 tion 3 of this Act shall make such reviews and investigations
14 as the Farm Credit Administration determines to be neces-
15 sary to assure compliance with the appraisal standards pre-
16 scribed by it pursuant to subsection (a) of this section; make
17 such additional reviews and investigations concerning the
18 quality of first mortgages securing farm loan bonds as the
19 Farm Credit Administration shall direct; and perform such
20 other duties as may be prescribed by the Farm Credit Ad-
21 ministration. Any first mortgage which is found not to
22 conform to the appraisal and loan standards prescribed by
23 the Farm Credit Administration shall not be credited toward
24 meeting the amount of bond collateral which a Federal land
25 bank is required to maintain with a farm loan registrar except

1 in such amount as the Farm Credit Administration shall
2 approve.”

3 SEC. 3. On the effective date of this Act each land bank
4 appraiser shall be transferred from the Farm Credit Admin-
5 istration to the Federal land bank served by him immediately
6 prior to said effective date, without reduction in salary and
7 accumulated leave, unless the Farm Credit Administration,
8 in its discretion, determines that individual appraisers shall
9 be retained as farm credit appraisers. The selection of per-
10 sonnel for transfer, or for retention as farm credit appraisers,
11 shall be without regard to section 12 of the Veterans' Pref-
12 erence Act of 1944, as amended. Land bank appraisers
13 shall be subject to the same employment conditions as other
14 bank employees after transfer under this section. At least
15 sixty days prior to the effective date of this Act the Farm
16 Credit Administration shall notify each land bank appraiser
17 that he is to be transferred to a Federal land bank or that
18 he is to be retained in the Farm Credit Administration.
19 Any land bank appraiser who notifies the Farm Credit Ad-
20 ministration in writing at least thirty days before the effective
21 date of this Act that he does not desire to accept employment
22 as stated in the notice from the Farm Credit Administration
23 shall be separated from employment on said effective date
24 and such separation shall be deemed involuntary.

25 SEC. 4. (a) Section 12 of the Federal Farm Loan Act,

1 as amended (12 U.S.C. 771), is amended by (1) changing
2 the last proviso of paragraph second thereof to read: “*And*
3 *provided further*, That any land bank may make loans on
4 an unamortized or partially amortized basis, under rules and
5 regulations issued by the Farm Credit Administration.”;
6 (2) deleting paragraph third thereof; (3) striking out of
7 paragraph seventh thereof “Loans to any one borrower shall
8 in no case exceed a maximum of \$200,000, but”; and (4)
9 striking out of the first and second sentences of paragraph
10 ninth thereof “a rate not exceeding 6 per centum per annum”
11 and inserting in lieu thereof “a rate approved by the Farm
12 Credit Administration”.

13 (b) Section 20 of the Federal Farm Loan Act, as
14 amended (12 U.S.C. 861), is amended by deleting the
15 second sentence thereof.

16 (c) The first and second sentences of section 23 of the
17 Federal Farm Loan Act, as amended (12 U.S.C. 901),
18 are amended by substituting “at the end of each fiscal year”
19 for “semiannually” therein.

20 (d) The first and second sentences of section 24 of the
21 Federal Farm Loan Act, as amended (12 U.S.C. 911), are
22 amended by substituting “at the end of each fiscal year”
23 for “semiannually” therein.

24 (e) The fifth paragraph of section 29 of the Federal
25 Farm Loan Act, as amended (12 U.S.C. 965), is amended

1 to read: "No Federal land bank association or Federal land
2 bank shall go into voluntary liquidation without the written
3 consent of the Farm Credit Administration, but the Farm
4 Credit Administration may permit or by order effect the
5 merger or consolidation of two or more contiguous Federal
6 land bank associations subject to such terms, conditions, and
7 provisions as the Farm Credit Administration in its discre-
8 tion determines to be fair and equitable."

9 (f) The seventh paragraph of section 29 of the Federal
10 Farm Loan Act, as amended (12 U.S.C. 967), is amended
11 by changing "land bank appraiser" in the second and third
12 sentences thereof to "farm credit appraiser".

13 (g) Section 202 (c) of the Federal Farm Loan Act, as
14 amended (12 U.S.C. 1033), is amended by changing the
15 period at the end thereof to a comma and adding the fol-
16 lowing: "and any Federal intermediate credit bank may in
17 its discretion purchase such loans or discounts with or with-
18 out such endorsement."

19 (h) Section 208 (c) of the Federal Farm Loan Act, as
20 amended (12 U.S.C. 1093), is amended by changing
21 "Land bank appraisers" in the first sentence thereof to
22 "Farm credit appraisers".

23 (i) The Federal Farm Loan Act, as amended (12
24 U.S.C. 641 and the following), and any other Act of Con-
25 gress in which the words appear, are amended by changing

1 “national farm loan association” and “national farm loan
2 associations” to “Federal land bank association” and “Fed-
3 eral land bank associations”, respectively.

4 (j) The Federal Farm Loan Act, as amended (12
5 U.S.C. 641 and the following), and any other Act of Con-
6 gress in which the words appear, are amended by changing
7 “secretary-treasurer” and “secretary-treasurers”, when used
8 to mean the secretary-treasurer of a national farm loan asso-
9 ciation (herein renamed “Federal land bank association”),
10 to “manager” and “managers”, respectively.

11 (k) Section 23 of the Farm Credit Act of 1933, as
12 amended (12 U.S.C. 1131g), is amended by inserting as
13 the second sentence thereof the following: “Such loans shall
14 bear such rates of interest as are authorized from time to
15 time by the Federal intermediate credit bank of the district.”

16 (l) This Act shall become effective December 31, 1959.

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A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

By Mr. ELLENDER and Mr. AIKEN

MARCH 23, 1959

Read twice and referred to the Committee on
Agriculture and Forestry

86TH CONGRESS
1ST SESSION

H. R. 5929

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 1959

Mr. HOEVEN introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1959".

5 TITLE I—FEDERAL LAND BANKS

6 SEC. 101. Section 3 of the Federal Farm Loan Act, as
7 amended, is amended—

8 (a) by changing the paragraph thereof relating to
9 the appointment of registrars, appraisers, and examiners
10 (12 U.S.C. 656) to read:

1 “The Farm Credit Administration shall appoint a farm
2 loan registrar for each farm credit district to receive applica-
3 tions for issues of farm loan bonds and to perform such other
4 services as are prescribed by this Act, and may appoint a
5 deputy registrar who shall during the unavoidable absence
6 or disability of the registrar perform the duties of that office.
7 It shall also appoint as many farm credit appraisers and farm
8 credit examiners as it shall deem necessary. Such farm loan
9 registrars, deputy registrars, farm credit appraisers, and farm
10 credit examiners shall have no connection with or interest in
11 any institution, association, or partnership engaged in bank-
12 ing or in the business of making land mortgage loans or sell-
13 ing land mortgages but they may perform such duties as are
14 authorized by the Farm Credit Administration in connection
15 with the business of the banks and associations it supervises:
16 *Provided*, That this limitation shall not apply to persons em-
17 ployed by the Farm Credit Administration on a temporary
18 basis.”;

19 (b) by deleting the paragraph thereof relating to
20 the compensation of appraisers and inspectors (12
21 U.S.C. 658) ;

22 (c) by deleting the paragraph thereof relating to the
23 employment of certain personnel by the Farm Credit
24 Administration (12 U.S.C. 659) ; and

(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

SEC. 102. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read:

“Any person desiring to secure a loan through a national farm loan association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act.”

(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751–757), is amended to read:

“SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated

1 or appointed by the Federal land bank of the district and
2 such appraiser shall investigate and make a written report
3 upon the security offered. Such appraisal investigation and
4 report shall be made in accordance with appraisal standards
5 prescribed by the Farm Credit Administration and may be
6 made by any competent person (including an employee of
7 a Federal land bank association) when designated for that
8 purpose by the Federal land bank of the district. The loan
9 committee shall cause a written report to be made of the
10 results of such investigations of the applicant and the security
11 and shall, if it concurs in such report, approve the same in
12 writing. After the loan committee has reached an agree-
13 ment as to the amount and terms of the loan which may
14 be offered to the applicant, if such amount is not in excess of
15 65 per centum of the normal value of the security offered
16 as determined by said appraiser, the association may notify
17 the applicant of the amount and terms of the loan approved
18 by the loan committee: *Provided*, That any such notice shall
19 contain a statement that the amount and terms of the loan
20 offered to the applicant are subject to and conditioned upon
21 subsequent approval or disapproval by the Federal land
22 bank.

23 “(b) The written report of the loan committee and the
24 report made by an appraiser designated or appointed by
25 the Federal land bank shall be submitted to the Federal

1 land bank with the application for the loan, and the land
2 bank shall examine said reports when it passes on the loan
3 application which they accompany. No loan shall be made
4 unless the report of the loan committee and the report of the
5 appraiser are favorable.

6 “(c) All appraisal reports shall be made on forms ap-
7 proved by the Farm Credit Administration.

8 “(d) No farm credit appraiser and no appraiser desig-
9 nated or appointed by a Federal land bank shall make any
10 appraisal in connection with a loan in which he is inter-
11 ested, directly or indirectly. No member of a loan commit-
12 tee or of a board of directors of a Federal land bank asso-
13 ciation shall participate in the consideration of or action on
14 any loan in which he is interested, directly or indirectly.

15 “(e) Each Federal land bank shall conduct studies in
16 such manner and to such extent as the Farm Credit Admin-
17 istration deems necessary in connection with the appraisal
18 standards prescribed for the district.

19 “(f) Notwithstanding the foregoing provisions of this
20 section—

21 “(1) appraisal reports made by appraisers hereto-
22 fore or hereafter appointed by the Farm Credit Admin-
23 istration pursuant to section 3 of this Act may be used
24 as a basis for Federal land bank loans;

25 “(2) the Farm Credit Administration may, in its

1 discretion and in such circumstances and for such pe-
2 riods as it deems necessary, direct that any or all ap-
3 praisals in connection with loans by any Federal land
4 bank, or appraisal standards studies required by subsec-
5 tion (e), shall be made by farm credit appraisers ap-
6 pointed pursuant to section 3 of this Act;

7 “(3) for purposes of paragraph (2) of this subsec-
8 tion, the Farm Credit Administration is authorized to
9 employ additional farm credit appraisers, including such
10 appraisers as it may select who have been designated
11 or appointed by a Federal land bank, and to require
12 that the salaries and other expenses of all such addi-
13 tional appraisers be paid by the Federal land bank
14 served by them in such manner as the Farm Credit
15 Administration shall determine.

16 “(g) Farm credit appraisers appointed pursuant to sec-
17 tion 3 of this Act shall make such reviews and investigations
18 as the Farm Credit Administration determines to be neces-
19 sary to assure compliance with the appraisal standards pre-
20 scribed by it pursuant to subsection (a) of this section;
21 make such additional reviews and investigations concerning
22 the quality of first mortgages securing farm loan bonds as
23 the Farm Credit Administration shall direct; and perform
24 such other duties as may be prescribed by the Farm Credit
25 Administration. Any first mortgage which is found not to

1 conform to the appraisal and loan standards prescribed by
2 the Farm Credit Administration shall not be credited to-
3 ward meeting the amount of bond collateral which a Federal
4 land bank is required to maintain with a farm loan registrar
5 except in such amount as the Farm Credit Administration
6 shall approve.”

7 SEC. 103. On the effective date of this title each land
8 bank appraiser shall be transferred from the Farm Credit
9 Administration to the Federal land bank served by him
10 immediately prior to said effective date, without reduction in
11 salary and accumulated leave, unless the Farm Credit Ad-
12 ministration, in its discretion, determines that individual
13 appraisers shall be retained as farm credit appraisers. The
14 selection of personnel for transfer, or for retention as farm
15 credit appraisers, shall be without regard to section 12 of
16 the Veterans' Preference Act of 1944, as amended (5 U.S.C.
17 861). Land bank appraisers shall be subject to the same
18 employment conditions as other bank employees after trans-
19 fer under this section. At least sixty days prior to the effec-
20 tive date of this title the Farm Credit Administration shall
21 notify each land bank appraiser that he is to be transferred
22 to a Federal land bank or that he is to be retained in the
23 Farm Credit Administration. Any land bank appraiser who
24 notifies the Farm Credit Administration in writing at least
25 thirty days before the effective date of this title that he does

1 not desire to accept employment as stated in the notice from
2 the Farm Credit Administration shall be separated from
3 employment on said effective date and such separation shall
4 be deemed involuntary.

5 SEC. 104. (a) Section 12 of the Federal Farm Loan
6 Act, as amended (12 U.S.C. 771), is amended by (1)
7 changing the last proviso of paragraph "Second" thereof to
8 read: "*And provided further, That any land bank may*
9 *make loans on an unamortized or partially amortized basis,*
10 *under rules and regulations issued by the Farm Credit*
11 *Administration.*"; (2) deleting paragraph "Third" thereof;
12 (3) striking out of paragraph "Seventh" thereof "loans to
13 any one borrower shall in no case exceed a maximum of
14 \$200,000, but"; and (4) striking out of the first and second
15 sentences of paragraph "Ninth" thereof "a rate not exceed-
16 ing 6 per centum per annum" and inserting in lieu thereof
17 "a rate approved by the Farm Credit Administration".

18 (b) Section 20 of the Federal Farm Loan Act, as
19 amended (12 U.S.C. 861), is amended by deleting the
20 second sentence thereof.

21 (c) The first and second sentences of section 23 of the
22 Federal Farm Loan Act, as amended (12 U.S.C. 901),
23 are amended by substituting "at the end of each fiscal year"
24 for "semiannually" therein.

25 (d) The first and second sentences of section 24 of the

1 Federal Farm Loan Act, as amended (12 U.S.C. 911),
2 are amended by substituting “at the end of each fiscal year”
3 for “semiannually” therein.

4 (e) The fifth paragraph of section 29 of the Federal
5 Farm Loan Act, as amended (12 U.S.C. 965), is amended
6 to read: “No Federal land bank association or Federal land
7 bank shall go into voluntary liquidation without the written
8 consent of the Farm Credit Administration, but the Farm
9 Credit Administration may permit or by order effect the
10 merger or consolidation of two or more contiguous Federal
11 land bank associations subject to such terms, conditions, and
12 provisions as the Farm Credit Administration in its dis-
13 cretion determines to be fair and equitable.”

14 (f) The seventh paragraph of section 29 of the Federal
15 Farm Loan Act, as amended (12 U.S.C. 967), is amended
16 by changing “land bank appraiser” in the second and third
17 sentences thereof to “farm credit appraiser”.

18 (g) Section 202 (c) of the Federal Farm Loan Act,
19 as amended (12 U.S.C. 1033), is amended by changing
20 the period at the end thereof to a comma and adding the
21 following: “and any Federal intermediate credit bank may
22 in its discretion purchase such loans or discounts with or
23 without such endorsement.”

24 (h) Section 208 (c) of the Federal Farm Loan Act, as

1 amended (12 U.S.C. 1093), is amended by changing “Land
2 bank appraisers” in the first sentence thereof to “Farm credit
3 appraisers”.

4 (i) The Federal Farm Loan Act, as amended (12
5 U.S.C. 641 and the following), and any other Act of Con-
6 gress in which the words appear, are amended by changing
7 “national farm loan association” and “national farm loan
8 associations” to “Federal land bank association” and “Federal
9 land bank associations”, respectively.

10 (j) The Federal Farm Loan Act, as amended (12
11 U.S.C. 641 and the following), and any other Act of Con-
12 gress in which the words appear, are amended by changing
13 “secretary-treasurer” and “secretary-treasurers”, when used
14 to mean the secretary-treasurer of a national farm loan asso-
15 ciation (herein renamed “Federal land bank association”),
16 to “manager” and “managers”, respectively.

17 (k) Section 23 of the Farm Credit Act of 1933, as
18 amended (12 U.S.C. 1131g), is amended by inserting as the
19 second sentence thereof the following: “Such loans shall bear
20 such rates of interest as are authorized from time to time by
21 the Federal intermediate credit bank of the district.”

22 (l) This title shall become effective December 31, 1959.

1 TITLE II—STATUS OF FARM CREDIT BANKS
2 AND EMPLOYEES

3 SEC. 201. Notwithstanding any other provision of law,
4 and in order to encourage and facilitate increased borrower
5 participation in the management and control of institutions
6 operating under the supervision of the Farm Credit Ad-
7 ministration in accordance with the policy declared in sec-
8 tion 2 of the Farm Credit Act of 1953 (12 U.S.C., Supp.
9 IV, 636a), section 6 of the Farm Credit Act of 1937, as
10 amended (12 U.S.C. 640l), is amended as follows:

11 (a) By inserting “(a)” immediately following “SEC.
12 6.”, by redesignating subsections “(a)” and “(b)” as para-
13 graphs “(1)” and “(2)”, respectively, and by deleting
14 subsection “(c)”.

15 (b) By adding the following at the end of paragraph
16 (1) of subsection (a) thereof (as redesignated herein):
17 “The employment, compensation, leave, retirement (except
18 as provided in subsection (e) hereof), hours of duty, and
19 all other conditions of employment of such joint officers and
20 employees employed by the district farm credit board, and
21 of separate officers and employees of the Federal land bank,
22 Federal intermediate credit bank, and bank for cooperatives

1 of the district employed by the board of directors of such
2 banks, shall be determined by the respective boards without
3 regard to the laws from which exemption is granted in this
4 section, but all such determinations shall be consistent with
5 the laws under which such banks are organized and operate.
6 Appointments, promotions, and separations so made shall be
7 based on merit and efficiency and no political test or
8 qualification shall be permitted or given consideration. The
9 district farm credit board shall, under rules and regulations
10 prescribed by the Farm Credit Administration, provide for
11 veterans' preference and limitations against political activity
12 for such officers and employees substantially similar to the
13 preference and limitations to which such officers and em-
14 ployees were subject upon enactment of this sentence.”.

15 (c) By adding the following new subsections after sub-
16 section (a) thereof (as redesignated herein) :

17 “(b) The provisions of section 1753 of the Revised
18 Statutes (5 U.S.C. 631) and the Act of January 16, 1883,
19 entitled ‘An Act to regulate and improve the civil service
20 of the United States’, as amended (22 Stat. 403; 5 U.S.C.
21 632 and the following), any laws supplementary thereto,
22 including but not limited to the Act of August 24, 1912, as
23 amended (5 U.S.C. 652), section 1 of the Act of November
24 26, 1940, as amended (5 U.S.C. 631a), and section 1310
25 of the Supplemental Appropriation Act, 1952, as amended

1 (5 U.S.C. 43, note), and any rules, orders, or regulations
2 promulgated for carrying such Acts or laws into effect, shall
3 not apply to a Federal land bank, Federal intermediate
4 credit bank, or bank for cooperatives, or to its directors,
5 officers, or employees.

6 “(c) The Federal Employees’ Compensation Act, as
7 amended (5 U.S.C., ch. 15), shall not be applicable in
8 respect to the injury, disability, or death of any employee
9 of a Federal land bank, Federal intermediate credit bank, or
10 bank for cooperatives unless such injury, disability, or death
11 (or cause thereof) occurred before January 1, 1960.

12 “(d) Section 9 of the Hatch Act, as amended (5 U.S.C.
13 118i), and the Veterans’ Preference Act of 1944, as amended
14 (5 U.S.C. 851–869), shall not be deemed to apply to a
15 Federal land bank, Federal intermediate credit bank, or bank
16 for cooperatives, or to its directors, officers, or employees.

17 “(e) Each officer and employee of a Federal land bank,
18 Federal intermediate credit bank, or bank for cooperatives
19 who, on December 31, 1959, is within the purview of the
20 Civil Service Retirement Act, as amended (5 U.S.C., Supp.
21 IV, ch. 30), shall continue so during his continuance as an
22 officer or employee of any such banks without break in con-
23 tinuity of service. Any other officer or employee of such
24 banks and any other person entering upon employment with
25 any such banks after December 31, 1959, shall not be cov-

1 ered under the civil service retirement system by reason of
2 such employment, except that (1) a person who, on Decem-
3 ber 31, 1959, is within the purview of the Civil Service
4 Retirement Act, as amended, and thereafter becomes an
5 officer or employee of any such banks without break in con-
6 tinuity of service shall continue under the civil service retire-
7 ment system during his continuance as an officer or employee
8 of any such banks without break in continuity of service and
9 (2) a person who has been within the purview of said Act
10 as an officer or employee of such banks and, after a break
11 in such employment, again becomes an officer or employee
12 of any such banks may elect to continue under the civil
13 service retirement system during his continuance as such
14 officer or employee by so notifying the Civil Service Com-
15 mission in writing within thirty days after such reemploy-
16 ment.

17 “(f) In addition to such amounts as they are required
18 to contribute to the civil service retirement and disability
19 fund under section 4 (a) of the Civil Service Retirement Act,
20 as amended (5 U.S.C., Supp. IV, 2254 (a)), each Federal
21 land bank, Federal intermediate credit bank, and bank for
22 cooperatives shall, for each fiscal year after June 30, 1960,
23 pay to the Farm Credit Administration to be covered into
24 the Treasury as miscellaneous receipts, its fair portion of

1 the cost of administration of said fund as determined in
2 annual billings by the Civil Service Commission.

3 “(g) Any Federal land bank, Federal intermediate
4 credit bank, or bank for cooperatives may, subject to the
5 approval of the Farm Credit Administration, establish a
6 retirement system for its officers and employees either sep-
7 arately or jointly with any other corporation under the super-
8 vision of the Farm Credit Administration. In determining
9 eligibility for or the amount of any benefit under any such
10 retirement system, there shall not be taken into account any
11 service which is creditable under the Civil Service Retire-
12 ment Act, as amended, but service which constitutes em-
13 ployment as defined in section 210 (a) of the Social Security
14 Act, as amended (42 U.S.C., Supp. IV, 410 (a)), may be
15 so taken into account notwithstanding section 115 of the
16 Social Security Amendments of 1954 (42 U.S.C., Supp. IV,
17 410, note) or any other provision of law.

18 “(h) Subsections (b), (c), (d), (e), (f), and (g) of
19 this section shall apply to the Central Bank for Cooperatives
20 and its personnel and the board of directors of the Central
21 Bank for Cooperatives shall have all the authority and re-
22 sponsibility with respect to personnel of such central bank
23 as is vested in the farm credit board of a district or the board
24 of directors of a district bank for cooperatives with respect to

1 personnel of any such district bank under subsection (a) (1)
2 of this section.”

3 SEC. 202. (a) Section 210 (a) (6) (B) (ii) of title II of
4 the Social Security Act, as amended (42 U.S.C., Supp. IV,
5 410 (a) (6) (B) (ii)), and section 3121 (b) (6) (B) (ii)
6 of the Internal Revenue Code of 1954, as amended (26
7 U.S.C., Supp. IV, 3121 (b) (6) (B) (ii)), are each amended
8 by inserting “a Federal land bank, a Federal intermediate
9 credit bank, a bank for cooperatives,” immediately before
10 the words “a national farm loan association” therein.

11 (b) Section 2680 of title 28, United States Code, is
12 amended by adding at the end thereof the following new
13 subsection:

14 “(n) Any claim arising from the activities of a Fed-
15 eral land bank, a Federal intermediate credit bank, or a
16 bank for cooperatives.”

17 (c) Section 102 (b) of the Federal Employees Pay Act
18 of 1945, as amended (5 U.S.C. 902 (b)), is amended by
19 striking out “and” immediately preceding “(6)” therein
20 and by inserting before the period at the end thereof “; and
21 (7) officers and employees of a Federal land bank, a Fed-
22 eral intermediate credit bank, or a bank for cooperatives”.

23 (d) Section 303 of the Government Employees’ In-
24 centive Awards Act (5 U.S.C., Supp. IV, 2122) is amended
25 by inserting within the parentheses after the words “the

1 Tennessee Valley Authority” the words “or the Central
2 Bank for Cooperatives”.

3 (e) Section 205 (e) of the Annual and Sick Leave Act
4 of 1951, as added by section 4 (b) of the Act of July 2,
5 1953 (5 U.S.C., Supp. IV, 2064 (e)), and section 1 of
6 the Act of December 21, 1944, as amended by section 4 (a)
7 of the Act of July 2, 1953 (5 U.S.C., Supp. IV, 61b) , are
8 each amended by substituting “(C), (H), or (I)” for
9 “(C), or (H)” therein.

10 SEC. 203. (a) Nothing in this title shall be deemed to
11 amend, alter, repeal, or restrict the application of (1) sec-
12 tion 190 of the Revised Statutes (5 U.S.C. 99) , relating to
13 the prosecution of claims against the United States by for-
14 mer employees; (2) the Act of August 26, 1950 (5 U.S.C.
15 22-1, 22-2, 22-3) , relating to the suspension and separa-
16 tion of employees for security reasons; (3) section 710 (e)
17 of the Defense Production Act of 1950, as amended (50
18 U.S.C. App., Supp. IV, 2160 (e)) , relating to the au-
19 thority of the President to provide for an executive reserve
20 training program; or (4) any Act of Congress the violation
21 of which is punishable by a fine or imprisonment, or both.

22 (b) Any Act of Congress enacted after the effective date
23 of this title and which states that it shall be applicable to
24 agencies or instrumentalities of the United States or to cor-
25 porations controlled or owned, in whole or in part, by the

1 United States, or to officers and employees of the United
2 States or such agencies or instrumentalities or corporations,
3 shall not be applicable to a Federal land bank, Federal in-
4 termediate credit bank, or bank for cooperatives, or to its
5 directors, officers, or employees unless such Act specifically
6 so provides by naming such banks.

7 (c) This title shall become effective January 1, 1960.

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

By Mr. HOEVEN

MARCH 23, 1959

Referred to the Committee on Agriculture

in Alaska) and water carriers operating in interstate commerce within Alaska (except over the high seas) are subject to the Commission's jurisdiction, and for all practical purposes motor transportation in interstate and foreign commerce is the only important operation in Alaska which has become subject to the Commission's jurisdiction since its admission to statehood. We believe it also important to point out in this connection that, insofar as we can determine, there are no present plans for the regulation of intrastate transportation by the new State, except possibly the transportation of persons by motor vehicle which was subject to some measure of regulation by the Territorial government.

With the competitive struggle between the Alaska Railroad and the motor carriers for the limited amount of traffic moving in Alaska, it is our view that there can be no effective or equitable regulation of surface transportation in the new State as long as one of the major competitive modes is subjected to a full measure of regulation while its chief competitor remains completely free from any regulatory control, either Federal or State. To allow this situation to persist is not, in our opinion, in the public interest since it will encourage and tend to perpetuate destructive competitive practices, contrary to the national transportation policy, and will have a serious adverse effect on the Alaska economy.

Failure to provide for regulation of a major competitive operation coupled with split or only partial jurisdiction with respect to two other modes is not conducive to simple or uniform regulation. Under the law as it now exists, a number of unusual and complex problems arise in connection with the movement of the bulk of the traffic between Alaska and the other States. On some of the traffic the Commission has jurisdiction over the motor movement at both ends or over the rail movement at the southern end, but none over the intervening water movement. On other traffic it has jurisdiction over the movement by water to ports at the southern end, but none (except to a limited extent over rail-water rates) over the subsequent water movement to Alaska and none over the movement by the major rail facility in Alaska. Within Alaska itself the Commission has jurisdiction over motor movements and water movements (except over the high seas) in interstate and foreign commerce, but none over movements by the Alaska Railroad. Contract carriage and irregular-route common carriage by water between Alaska and the other States, and between ports in Alaska over the high seas, like traffic over the Alaska Railroad is not, as indicated above, subject to economic regulation by any governmental agency.

It is highly doubtful that the public interest will best be served by such a regulatory patchwork. We therefore recommend to the Congress that all forms of surface transportation, and all carriers constituting parts of routes between Alaska and the other States, be brought within the same regulatory scheme under the Interstate Commerce Act. Draft bills designed to give effect to our recommendations in this connection (designated as draft bills A and B respectively) are submitted herewith for your consideration for introduction.

Draft bill A would, in brief, transfer from the Federal Maritime Board to the Commission jurisdiction over regular-route water common carriers operating in interstate commerce between ports in Alaska and other U.S. ports, and between ports in Alaska over the high seas. It would also subject to Commission regulation contract carriers and irregular-route common carriers by water operating between those ports. Since the Maritime Board regulates as water carriers certain persons who do not operate vessels, but who appear to be in the category of

freight forwarders as defined in part IV of the Interstate Commerce Act, the proposed amendments are also designed to place each operator in its proper category. "Grandfather" rights are provided for the protection of such carriers and persons.

Draft bill B would amend the so-called Alaska Railroad Act (48 U.S.C., sec. 301) to provide that, effective 180 days after the enactment of the proposed amendment, the Alaska Railroad shall become subject to the provisions of part I of the Interstate Commerce Act, and related acts, except that the Commission's approval would not be required for the extension of its lines or for the issuance of securities. The proposed amendment would also subject the Alaska Railroad to acts relating to the safety of railroad operations and the statute commonly known as the Transportation of Explosives Act (18 U.S.C., secs. 831-835).

Also submitted herewith is draft bill C, in respect of which we particularly urge your early consideration for introduction and for early action by the Congress. This proposed bill would provide grandfather rights for motor carriers and freight forwarders operating to, from, and within Alaska in interstate or foreign commerce, and for water carriers operating in interstate commerce within Alaska, except for water carriers operating between Alaskan ports over the high seas. These are the carriers which became subject to the Interstate Commerce Act and related acts upon the advent of Alaskan statehood. Except for seasonal operations or interruptions in service over which a carrier had no control, the critical date of the grandfather provisions is August 26, 1958, the date on which the people of Alaska voted in favor of statehood.

With the exception of freight forwarders, ever since the enactment of the Motor Carrier Act, 1935, it has been the consistent policy of the Congress to provide grandfather rights to existing carriers whenever the Interstate Commerce Act has been extended to additional carriers. It is our opinion that similar grandfather provisions should be enacted for the protection of those carriers, including freight forwarders, which became subject to the Interstate Commerce Act, and related acts, by reason of the admission of Alaska to statehood.

Draft bill C is also designed to clarify the status of motor carriers operating between points in Alaska and the other States through Canada. In addition, it would amend section 418 of the Interstate Commerce Act to authorize freight forwarders to utilize the services of the Alaska Railroad and water carriers operating between ports in Alaska and other ports in the United States, and between ports in Alaska over the high seas, which they cannot lawfully do under existing law.

The Commission would appreciate your assistance in introducing these bills and giving them early consideration. If there is anything further the Commission can do in this respect, please advise.

Sincerely yours,

KENNETH H. TUGGLE,
Chairman.

INCREASED EXPENDITURES, FISCAL YEAR 1959, UNDER SPECIAL MILK PROGRAM

Mr. WILEY. Mr. President, I introduce, for appropriate reference, a bill to increase the authorized maximum expenditure for the fiscal year 1959 under the special milk program.

Mr. President, I have been informed by my colleague from Wisconsin in the House, Representative JOHNSON, that the House has passed H.R. 5247, an identical bill, to increase the maximum ex-

penditure for special milk programs not to exceed \$75 million for 2 fiscal years.

Mr. President, I ask unanimous consent that the bill introduced by me and excerpts from the House committee report be printed in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill and excerpts from the House report will be printed in the RECORD.

The bill (S. 1510) to increase the authorized maximum expenditure for the fiscal year 1959 under the special milk program, introduced by Mr. WILEY, was received, read twice by its title, referred to the Committee on Agriculture and Forestry, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of Public Law 85-478 (72 Stat. 276) is amended to read as follows: "That for the fiscal year beginning July 1, 1958, not to exceed \$78,000,000, and for each of the two fiscal years thereafter, not to exceed \$75,000,000 of the funds of the Commodity Credit Corporation shall be used to increase the consumption of fluid milk by children (1) in nonprofit schools of high school grade and under; and (2) in nonprofit nursery schools, child-care centers, settlement houses, summer camps, and similar nonprofit institutions devoted to the care and training of children."

The excerpts from the House report presented by Mr. WILEY are as follows:

PURPOSE

The purpose of this bill is to increase by \$3 million the maximum amount of money which may be used by the Secretary of Agriculture during the current fiscal year for the special school milk program authorized by section 201(c) of the Agricultural Act of 1949 and Public Law 85-478. The law now authorizes the use of not to exceed \$75 million of CCC funds for this program during the current fiscal year. From a survey just completed by the Department of Agriculture, it appears that somewhat more money will be required to continue the program at its present level for the remainder of the fiscal year. This bill, accordingly, authorizes the Secretary to use up to \$78 million of CCC funds for the program during this fiscal year. It is to be noted that the authorization is permissive. The Secretary will use the additional funds only to the extent necessary to continue the program at its present level.

HISTORY OF THE PROGRAM

The special milk program was first authorized in the revised dairy price support provisions of the Agricultural Act of 1954 which was enacted into law in August of that year. The details of the program were announced by the Department in early September, as schools were about to open for the fall term. Despite the short time available to State educational agencies and individual schools to lay plans for a new or enlarged milk service, over 41,000 schools entered the program that first year. Almost 450 million half pints were distributed under the program and expenditures totaled \$17.1 million.

The original program was limited to schools, and after consultation with both dairy and school officials, major modifications were made in the program for its second year of operation. These modifications were undertaken, first, to permit a more effective use of CCC funds in reducing prices to children and, second, to provide for additional simplifications in records and reports at the school level.

The modified program was immediately successful and the volume of milk moving under the program increased more than threefold in the second year—to almost 1.4 billion half pints. The number of schools increased from 41,000 to 62,000 and the expenditure of CCC funds rose from \$17.1 million to almost \$46 million in fiscal year 1956.

The program provisions for schools—where milk is sold as a separately priced item—has continued unchanged since the second year of operation. Within the maximum rates established by the Department, these schools are reimbursed for reducing the selling price to children below the cost of the milk and for the expenses they incur in distributing the milk (such as the purchase of milk service equipment, labor, straws, etc.). From the outset the maximum rate of reimbursement has been 4 cents per half pint for schools participating in the national school lunch program, but they do not receive any payment for the half pint of milk that is served as part of a type-A lunch. Schools not participating in the national school lunch program can receive up to 3 cents per half pint for the milk served to children.

The legislation passed in 1956, which continued the program through June 30, 1958, also extended it to nonprofit summer camps, settlement houses, and other child-care institutions. About 3,000 camps participated in the program last summer and reimbursements totaled about \$650,000. Although camp and institutional operations are small in relation to the school program, the program has made it possible for these groups to provide a much more adequate milk service for children.

The following table shows the growth of the program from its inception through fiscal year 1958. It is estimated that there are approximately 80,000 schools and other outlets participating in the program in the current (1959) fiscal year.

It is the belief of the committee that some States may not use quite all the funds available to them so that there will be some small amount which can be allocated to other States, thus permitting the full program to be carried out with the \$3 million additional authorization contained in the bill as amended, although the State estimates add up to a deficit of approximately \$380,000 more than that amount.

The committee emphasizes that the additional \$3 million is merely an increase in the authorization and will be used only to the extent that the Secretary finds it necessary in order to carry out the program as presently scheduled.

DEPARTMENTAL POSITION

Witnesses for the Department of Agriculture appeared at the hearing on this matter and frankly outlined the rapid growth of the special milk program and the apparent need for more funds than presently provided to carry out this year's program. They did not request the additional authorization contained in this bill but held out the hope that the program could be contained within the present maximum authorization by adjustment or, if necessary, curtailment of the State programs.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

PUBLIC LAW 85-478, 85TH CONGRESS, S. 3342,
JULY 1, 1958

An act to continue the special milk program for children in the interest of improved nutrition by fostering the consumption of fluid milk in the schools

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for [each of the three fiscal years in the period beginning July 1, 1958, and ending June 30, 1961] the fiscal year beginning July 1, 1958, not to exceed \$80,000,000, and for each of the two fiscal years thereafter, not to exceed \$75,000,000 of the funds of the Commodity Credit Corporation shall be used to increase the consumption of fluid milk by children (1) in nonprofit schools of high-school grade and under; and (2) in nonprofit nursery schools, child-care centers, settlement houses, summer camps, and similar nonprofit institutions devoted to the care and training of children. Amounts expended hereunder and under the authority contained in the last sentence of section 201(c) of the Agricultural Act of 1949, as amended, shall not be considered as amounts expended for the purpose of carrying out the price-support program.

PROPOSED LEGISLATION RELATING TO FARM CREDIT

Mr. ELLENDER. Mr. President, on behalf of myself and the senior Senator from Vermont [Mr. AIKEN], I introduce, for appropriate reference, two farm credit bills, one relating to the Federal land bank system and the other to the status of all farm credit banks—Federal land banks, Federal intermediate credit banks, and banks for cooperatives—and their employees under various Federal laws.

The bill relating to the Federal land bank system provides for the transfer of the responsibility for making appraisals for land bank loans from the Farm Credit Administration to the Federal land banks. After more than 40 years experience, it is believed that the land banks are ready to assume this responsibility and that their doing so will improve the efficiency of their lending service. There would also be transferred to the land banks the staff of appraisers now employed by the Farm Credit Administration, except for a small number who would be retained by the Farm Credit Administration to establish appraisal standards and to see that the bank appraisers follow those standards in making their appraisals. The other bill would simply clarify the status of the farm credit banks and their employees in relation to the various laws relating to the United States and its employees. The need for this has been commented upon by both the Comptroller General and the Civil Service Commission.

The proposed legislation would give the boards of directors and officers of the farm credit banks in each of the 12 districts greater responsibility and authority for the management of the banks, in accordance with the policy of the Farm Credit Act of 1953. The 1953

act established two important objectives for the cooperative Federal farm credit system: First, to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership of the farm credit banks and local associations of the System; and second, to provide means for the retirement of the remaining Government capital in the System. The Farm Credit Acts of 1955 and 1956 provided most of the legislation needed to accomplish those objectives. These two bills are needed fully to carry out the objectives which the Congress set for itself in 1953, to improve the efficiency of the lending service and to clarify the application of certain Federal laws.

With a few exceptions, the appraisers who would be transferred under the land bank bill are now in the competitive civil service and all of them are covered by the civil service retirement program. Upon their transfer to the Federal land banks, the appraisers would be subject to the same employment conditions as other bank employees and would continue under the civil service retirement program as long as they work for the banks. The appraisers involved in the transfer are now located in the field and each would continue to work in the same farm credit district in which he is now located. The appraisers would be transferred at their present salaries and all leave accumulations would be transferred with them. Thus, the bill itself would preserve the rights of those appraisers involved in the transfer.

The second bill would clarify the present uncertain status of the employees of all farm credit banks. They are now regarded as Federal employees for purposes of some Federal laws and not for others. They are presently in schedule A of the excepted civil service and are under the civil service retirement program. Their salaries, however, are paid directly by the banks from their earnings and not from U.S. Treasury funds.

This bill would declare the farm credit bank employees to be non-Federal, except that all those covered by the civil service retirement program on the effective date of the legislation would continue under such retirement program as long as they are employed by the banks. Thus, no employee of these banks would be denied any retirement or related rights under the terms of the bill. On the contrary, their present uncertain status under the civil service retirement program would be resolved so as to assure their continued coverage thereunder.

Under present law, the banks and their employees are federally supervised by the Farm Credit Administration, the Federal agency responsible for overall supervision of the farm credit system. Such responsibility for supervision would continue undiminished under the terms of these bills.

The PRESIDENT pro tempore. The bills will be received and appropriately referred.

The bills, introduced by Mr. ELLENDER (for himself and Mr. AIKEN) (by request), were received, read twice by their titles, and referred to the Committee on Agriculture and Forestry, as follows:

S. 1512. A bill to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes; and

S. 1513. A bill to clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees, and for other purposes.

TEMPORARY UNEMPLOYMENT COMPENSATION ACT OF 1959—AMENDMENT

Mr. McNAMARA (for himself, Mr. CLARK, Mr. HART, Mr. MURRAY, Mr. MANSFIELD, Mr. MORSE, Mr. NEUBERGER, Mr. GREEN, Mr. GRUENING, Mr. BYRD of West Virginia, Mr. RANDOLPH, Mr. HUMPHREY, Mr. MCCARTHY, Mr. DOUGLAS, Mr. KENNEDY, Mr. WILLIAMS of New Jersey, Mr. PASTORE, and Mr. HARTKE) submitted an amendment, intended to be proposed by them, jointly, to the bill (H.R. 5640) to extend the time during which certain individuals may continue to receive temporary unemployment compensation, which was ordered to lie on the table and to be printed.

NEED FOR BETTER STATE PARK SYSTEMS IN PUBLIC LAND STATES—ADDITIONAL COSPONSORS OF BILL

Under authority of the order of the Senate of March 16, 1959, the names of Senators BIBLE, CANNON, and ALLOTT were added as additional cosponsors of the bill (S. 1436) to amend section 1 of the act of June 14, 1926, as amended by the act of June 4, 1954 (68 Stat. 173; 43 U.S.C., sec. 869), introduced by Mr. BENNETT on March 16, 1959.

INCORPORATION OF AGRICULTURAL HALL OF FAME—ADDITIONAL COSPONSOR OF BILL

Under authority of the order of the Senate of March 18, 1959, the name of Mr. CASE of South Dakota was added as an additional cosponsor of the bill (S. 1449) to incorporate the Agricultural Hall of Fame, introduced by Mr. CARLSON on March 18, 1959.

STANDING COMMITTEE ON VETERANS' AFFAIRS—ADDITIONAL COSPONSORS OF RESOLUTION

Mr. MORSE. Mr. President, I ask unanimous consent that at such time as the resolution (S. Res. 19) to establish a Standing Committee on Veterans Affairs in the Senate, submitted by me on January 12, 1959, is reprinted, the names of the Senator from New Jersey [Mr. CASE], and the Senator from New York [Mr. JAVITS] may be added as cosponsors.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. DOUGLAS. Mr. President, Senate bill 1188, for the relief of Herman E. Tenzler, Ernest Gallo, and Julio R. Gallo, is now pending before the Committee on the Judiciary. At a recent meeting of the committee this bill was considered and, as a result thereof, the committee authorized and directed the chairman to request that the Committee on the Judiciary be discharged from further consideration of this bill since it involved tax matters and certain specifically named sections of the Internal Revenue Code of 1954, which more properly comes within the jurisdiction of the Committee on Finance.

Mr. President, I ask unanimous consent that the Committee on the Judiciary be discharged from further consideration of S. 1188, a bill for the relief of Herman E. Tenzler, Ernest Gallo, and Julio R. Gallo.

Mr. KEATING. Mr. President, reserving the right to object, that matter has been cleared, I take it, with the committee?

Mr. DOUGLAS. Yes, that is correct. The PRESIDING OFFICER (Mr. DODD in the chair). Without objection, it is so ordered.

PRINTING AS A SENATE DOCUMENT THE PRELIMINARY REPORT OF PRESIDENT'S COMMITTEE TO STUDY MILITARY ASSISTANCE PROGRAM (S. DOC. NO. 18)

Mr. DIRKSEN. Mr. President, I ask unanimous consent to have printed as a Senate document, the preliminary report of the President's Committee To Study the Military Assistance Program, together with the letter of transmittal.

The PRESIDING OFFICER. Without objection, it is so ordered.

PRINTING OF REVIEW ON KEWAUNEE HARBOR, WISCONSIN, (S. DOC. NO. 19)

Mr. CHAVEZ. Mr. President, I present a letter from the Secretary of the Army, transmitting a report dated February 2, 1959, from the Chief of Engineers, Department of the Army, together with accompanying papers and an illustration, on a review of report on Kewaunee Harbor, Wisconsin, requested by a resolution of the Committee on Public Works adopted May 24, 1956. I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE APPENDIX

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the Appendix, as follows:

- By Mr. JOHNSON of Texas:
Letter from Representative JAMES C. WRIGHT, JR., carrying an Easter message.
- By Mr. CAPEHART:
Newsletter on four major problems facing the Nation, released by him on March 23, 1959.
- By Mr. PROXMIRE:
Press release concerning address delivered by Representative REUSS, of Wisconsin.
- Article entitled "Democrats Aren't Meeting Issue Head On," written by Roscoe Drummond, and published in the New York Herald Tribune of March 23, 1959.
- By Mr. BUTLER:
Address delivered by Rear Adm. Roy S. Benson on March 4, 1959, in Washington, D.C., before the Antisubmarine Warfare Symposium of the Navy League.
- By Mr. STENNIS:
Address delivered by T. Keith Glennan, Administrator, National Aeronautics and Space Administration, before the Electronics Industries Association, Washington, D.C., March 19, 1959.
- By Mr. ENGLE:
Address delivered by Dr. Roland R. Renne, president of Montana State College, at meeting of Montana Veterans of Foreign Wars, January 24, 1959.
- Article entitled "California Holds Off Rally by West Virginia," written by Mal Florence, and published in the Los Angeles Times of March 22, 1959.
- By Mr. NEUBERGER:
Address delivered before the City Club of Portland entitled "Conservation: The Wilderness Bill," by Robert Brower, executive director of the Sierra Club.
- Editorial entitled "The Military Pay Act Does Injustice to Retired Servicemen," published in the Saturday Evening Post of March 21, 1959, which will appear hereafter in the Appendix.
- Article entitled "Portlander Sees Timber as Principal Source of Income in Oregon for Another Century," written by Bob Sever and published in the Oregonian of March 8, 1959.
- By Mr. SPARKMAN:
Prizewinning editorial entitled "How Well Are We as a People Meeting Demands of Freedom?" written by Mr. McClellan Van der Veer, and published in the Birmingham News.
- Editorial entitled "TVA As a Business," published in the New York Times of March 21, 1959.
- Article entitled "High Cost of Federal Government Blocks Efforts on Local Level," written by John Will, and published in the Mobile, Ala., Register of March 15, 1959.
- By Mr. BRIDGES:
Editorial entitled "Should Not Sit Still," published in the Laconia (N.H.) Evening Citizen of March 16, 1959.
- Editorial entitled "Our Slumbering Must Cease," published in the Nashua (N.H.) Telegraph of March 16, 1959.
- Article entitled "The Challenge of Inflation," written by Howard Buffett, and published in the National Review of March 28, 1959.
- By Mr. ROBERTSON:
Editorial entitled "A Southerner to the Court?" published in the Richmond Times-Dispatch of March 22, 1959.
- Top award-winning editorial of 1957 of the Freedom's Foundation, Valley Forge, Pa., entitled "What of Tomorrow?" written by L. Nelson Bell.
- By Mr. AIKEN:
Editorial entitled "The Troubles of Bolivia," published in the New York Times of March 23, 1959.
- By Mr. ENGLE:
Editorial entitled "Carter Championed Individual Rights," published in the Redding Record-Searchlight of March 17, 1959.

By Mr. JAVITS:

Editorial entitled "For Mutual Defense," published in the New York Times of March 19, 1959.

By Mr. WILEY:

Editorial entitled "Equal Time Abuses," published in the Christian Science Monitor of March 20, 1959; and editorial entitled "Equal Time on the Air," published in the New York Times of March 22, 1959.

Article entitled "Grauer Sees Full Employment Bulwark," written by A. E. Grauer and published in a recent edition of the Christian Science Monitor.

By Mr. LANGER:

Editorial entitled "Why Should the President Want To Bring Back Lewis Strauss?" published in the Louisville Courier Journal of October 27, 1958.

Grain Terminal Association Daily Radio Roundup for Wednesday, March 18, 1959.

By Mr. KEFAUVER:

Article entitled "Administered Prices, Wages Kill Markets, Jobs," written by Harold B. Dorsey and published in the Washington Post and Times Herald of March 23, 1959.

Article entitled "Debate on Administered Prices," written by Edwin L. Dale, Jr., and published in the New York Times of March 22, 1959.

By Mr. CURTIS:

Article entitled "Fealty Furor," written by William Henry Chamberlin, and published in the Wall Street Journal of March 20, 1959.

By Mr. MONRONEY:

Program of celebration of the 50th anniversary of Sigma Delta Chi.

By Mr. MURRAY:

Telegram from Miss Ula May Taylor, Northwest regional director of the Department of Classroom Teachers, in behalf of the School Support Act of 1959, Senate bill 2.

By Mr. YARBOROUGH:

Letter from Mrs. E. L. Crumpacker, Sr., endorsing establishment of Padre Island, Tex., as a national park.

List of members of the John H. Reagan Senior High School Red Coats, of Houston, Tex., and their teachers.

By Mr. NEUBERGER:

Editorial on Charles M. Russell, published in the Oregonian of March 20, 1959.

By Mr. MORSE:

Article on the achievements of Bill Kessi, of the Oregon Future Farmers of America, and list of officers of the Oregon Association of Future Farmers.

Article on John Edelman, Washington representative of the Textile Workers Union, written by John Herling, and published in the Washington Daily News of March 5, 1959, which will appear hereafter in the Appendix.

Article entitled "Draftee Versus Volunteer," written by Hanson W. Baldwin, and published in the New York Times of March 12, 1959.

Editorial entitled "Another Strauss Controversy," published in the Toledo (Ohio) Blade of March 1, 1959.

By Mr. MUNDT:

Letter received by him from P. W. Reeves, of Manila, the Republic of the Philippines, expressing the friendly sentiments between the Philippines and the United States.

SENATOR JAMES E. MURRAY, CHAMPION OF THE AMERICAN INDIAN

Mr. MANSFIELD. Mr. President, many of us here in the United States Senate represent constituencies partially made up of Indian populations. The Indian tribal groups in this country have the greatest heritage of any ethnic group in the United States, yet they are in many instances forced to live under the most impoverished conditions and be-

cause of the social strata in which they live they have not had the opportunity to improve themselves.

The present Federal Indian policy has not, in my estimation, done too much to improve this situation; that policy has been one of trying to push termination and relocation too fast and too soon. Too little attention is being given to economic development and improvement of health standards.

In recent months Federal Indian policy appears to have shifted into lower gear. But if Senate Concurrent Resolution 12 can be adopted, the future for the American Indian will become brighter. The leader and undisputed champion of the rights and interests of our Indians is the distinguished senior Senator from Montana and chairman of the Senate Interior and Insular Affairs Committee, JAMES E. MURRAY.

Senator MURRAY has for many years been the counselor and confidant of the Indian Tribes in our State of Montana, as well as the entire West. Under his leadership much has been done to improve living conditions on reservations; and under his continued leadership, with the excellent cooperation of the able chairman of the Senate Interior Subcommittee on Indian Affairs, the junior Senator from Oregon [Mr. NEUBERGER], they will see that greater opportunities are offered to our Indian brothers. The Indian is America's first citizen, and Senator MURRAY will do his utmost to see that the Indian people can assume this role with pride and confidence.

A recent comprehensive study of Indian land sales is only one example of the fine reappraisals of our Federal Indian policy under the guidance of Senator MURRAY.

Mr. President, I ask unanimous consent to have a portion of the February 1959 issue of Indian Affairs, entitled "Senator MURRAY Reports," printed at this point in the CONGRESSIONAL RECORD.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

SENATOR MURRAY REPORTS

Conspicuous among the men who are trying to make Federal Indian policy conform to Indian aspirations are Senator JAMES MURRAY, of Montana, chairman of the Senate Committee on Interior and Insular Affairs, and Assistant Secretary of the Interior, Roger L. Ernst. We invited each of them to speak in this newsletter. Senator MURRAY sent us the article which appears as our lead story. We are privileged to print it. Secretary Ernst was in Arizona when we asked his office for a communication for our readers. Through his office we received the statement that we are happy to print on our editorial page.

Individual Indian trust land alienation is passing out of Indian ownership at a potentially disastrous rate.

Under a Federal policy of recognizing and speeding applications for sale of lands allotted to Indians more than 70 years ago, the past 10 years have seen a decrease in individually owned Indian trust land of 3,307,217 acres, while tribal trust land increased by 1,213,307 acres. The net loss of trust land to the American Indian was 2,093,909 acres. More than 1 million acres were lost in the Billings, Mont., and Aberdeen, S. Dak., areas alone. Also, of 529,991 acres set aside for Indians in the United States 140,350 acres are not being

used for the benefit of the Indians. During the 10-year period, 1954 was a peak year for sales of individual Indian trust land, when nearly 600,000 acres were removed from all trust status.

These facts emerge from an 800-page report, "Indian Land Transactions: An Analysis of the Problems and Effects of our Diminishing Indian Land Base, 1948-57," published December 1 by the Committee on Interior and Insular Affairs. The report was in the form of a memorandum of the Honorable JAMES E. MURRAY, of Montana, Chairman of the Senate Committee on Interior and Insular Affairs to the whole committee.

Senator MURRAY's statement points out that few studies seem to have been made at the Bureau of Indian Affairs' level on the subject of the effects of its land policy; that bureau field officials do not follow uniform procedures in passing on applications by individual Indians for the sale of their land, and that this situation is not in keeping with the Federal Government's and the Bureau's position as caretakers of Indian trust land. The MURRAY statement also said that Indian tribes should have the benefit of competent advice and competent studies by the Bureau's professional staff.

Twelve pages of charts are included, illustrating removal of land from all trust status in the various area offices of the Bureau of Indian Affairs. Data in tabular form are also available on the answers to the questionnaire on the subject of land sales sent to area directors and superintendents in April last year. For purposes of the questionnaire a moratorium on land sales was granted on May 28 by the Bureau for the balance of the congressional session.

Analysis of committee data was made by the Legislative Reference Service of the Library of Congress.

A STATEMENT BY HON. JAMES E. MURRAY

"To the Members of the Senate Committee on Interior and Insular Affairs:

"During the past 4 or 5 years there has been grave concern over the increasing alienation of Indian lands from trust status. I was keenly aware of the situation in my own State of Montana and was informed that a similar situation existed in other States. The major apprehension is that decreases in the Indian land base will seriously impair the effective use of Indian tribal and individual trust land in terms of economic land units.

"Finding that detailed statistics on the extent of Indian trust land disposals were not available in Washington, I arranged for the formulation of a questionnaire which would provide the committee with the necessary data for more adequate study. On April 17, 1958, the questionnaire was sent to 52 agency offices and the tribal organizations of those agencies.

"On May 13, 1958, I requested the Secretary of the Interior to declare a moratorium on Indian trust land sales until such time as this committee might complete its investigation of the situation and initiate recommendations for legislation or other measures. On May 28, 1958, Acting Secretary of the Interior Hatfield Chilson informed me that the requested moratorium would be in effect for the balance of the congressional session. The moratorium would not apply to the Klamath Reservation of Oregon because the trust status of all allotted lands would terminate there on August 13, 1958, and the termination law specifically provides for departmental assistance to these Indians in the sale of their heirship lands.

"The preliminary committee study elicited some of the most detailed statistical data that has been collected in recent years concerning Indian trust land. Tribal trust land increased by 1,213,307.41 acres during the 10 years studied (1948-57), while individual trust land decreased by 3,307,217.38 acres, resulting in a net loss of 2,093,909.97 acres

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of April 13, 1959
86th-1st, No. 54

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HIGHLIGHTS: House Rules Committee cleared bill to give REA Administrator authority over all loans. Sen. Keating introduced and discussed bill to make it Federal offense to assault or kill certain Federal employees.

SENATE

- 1. TRADE FAIRS.** The Finance Committee reported without amendment H. R. 5508, to provide for the free importation of articles for exhibition at fairs, exhibitions, or expositions (S. Rept. 162). p. 5133
- 2. AIR POLLUTION.** The Public Works Committee reported with amendment S. 441, to extend the duration of the Federal air pollution control law (S. Rept. 182). p. 5133
- 3. ELECTRIFICATION.** The Public Works Committee reported without amendment S. 114, to provide for equal treatment of all State-owned hydroelectric power projects with respect to the taking over of such projects by the U. S. (S. Rept. 186). p. 5133
Sen. Kuchel inserted an address by the Commissioner of Reclamation, "Hydropower and the Bureau of Reclamation," discussing the hydroelectric program of that Bureau. pp. 5153-5

4. FOREIGN AFFAIRS. Both Houses received from the President the fifth semiannual report of operations under the International Cultural Exchange and Trade Fair Participation Act of 1956. pp. 5156, 5201
5. EGGS. Sen. Langer expressed his concern over "the low price of eggs in North Dakota -- 18 cents a dozen," and inserted a letter he had received listing the price of eggs and other farm commodities. p. 5133
6. FARM PROGRAM. Sen. Langer inserted a GTA Daily Radio Roundup on "the farm situation in North Dakota and the Middle West," and urged the enactment of "a good farm bill." pp. 5170-1
7. ATOMIC FALLOUT. Sen. Humphrey inserted an article by Sen. Church, "We must Stop Poisoning the Air," discussing the increasing danger of atomic fallout. pp. 5144-5
8. LEGISLATIVE PROGRAM. Sen. Johnson announced that S. 1455, to authorize the rental of cotton acreage allotments, may be scheduled for consideration this week, in addition to the labor reform bill. p. 5155
9. ADJOURNED until Wed., Apr. 15. p. 5183

HOUSE

10. ELECTRIFICATION. The Rules Committee reported a resolution for consideration of H. R. 1321, to give the REA Administrator authority over all loans. p. 5203
11. PERSONNEL. The Rules Committee reported a resolution for the consideration of H. R. 4601, a bill to amend the act of Sept. 1, 1954, to limit to cases involving national security the prohibition on payment of annuities and retired pay to Federal employees. pp. 5203-4
Received from the Civil Service Commission a proposed bill "to provide certain survivor annuities payable from the civil service retirement and disability fund"; to the Post Office and Civil Service Committee. p. 5203
12. FARM APPRAISALS. A subcommittee of the Agriculture Committee ordered reported with amendment to the full committee H. R. 5740, to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks. p. D237
13. WATER POLLUTION. Rep. Dingell criticized the President's water-pollution construction grant request and inserted a table showing what "the dollar loss to the States will be if the full amount of this program is not appropriated." p. 5205
14. POSTAGE RATES. A subcommittee of the Post Office and Civil Service Committee ordered reported to the full committee H. R. 5212, to revise the minimum charge on pieces of mail of odd sizes and shapes. p. D238
15. HOUSING. Rep. Hiestand criticized the Senate-passed housing bill and the House subcommittee housing bill, stating that "both bills are exorbitant and excessive," and urged austerity. pp. 5192-6
16. PROPERTY. Received from the Alaska Legislature a memorial urging Congress to pass S. 910, to authorize the payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property. p. 5205

86TH CONGRESS
1ST SESSION

H. R. 6353

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1959

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1959".

5 TITLE I—FEDERAL LAND BANKS

6 SEC. 101. Section 3 of the Federal Farm Loan Act, as
7 amended, is amended—

8 (a) by changing the paragraph thereof relating to
9 the appointment of registrars, appraisers, and examiners
10 (12 U.S.C. 656) to read:

1 “The Farm Credit Administration shall appoint a farm
2 loan registrar for each farm credit district to receive appli-
3 cations for issues of farm loan bonds and to perform such
4 other services as are prescribed by this Act, and may appoint
5 a deputy registrar who shall during the unavoidable absence
6 or disability of the registrar perform the duties of that office.
7 It shall also appoint as many farm credit appraisers and farm
8 credit examiners as it shall deem necessary. Such farm loan
9 registrars, deputy registrars, farm credit appraisers, and farm
10 credit examiners shall have no connection with or interest in
11 any institution, association, or partnership engaged in banking
12 or in the business of making land mortgage loans or selling
13 land mortgages but they may perform such duties as are
14 authorized by the Farm Credit Administration in connection
15 with the business of the banks and associations it supervises:
16 *Provided*, That this limitation shall not apply to persons
17 employed by the Farm Credit Administration on a temporary
18 basis.”;

19 (b) by deleting the paragraph thereof relating to
20 the compensation of appraisers and inspectors (12
21 U.S.C. 658) ;

22 (c) by deleting the paragraph thereof relating to
23 the employment of certain personnel by the Farm Credit
24 Administration (12 U.S.C. 659) ; and

1 (d) by deleting the second sentence of the third
2 paragraph from the end thereof (12 U.S.C. 662).

3 SEC. 102. (a) The second paragraph of section 9 of
4 the Federal Farm Loan Act, as amended (12 U.S.C. 742),
5 is amended to read:

6 “Any person desiring to secure a loan through a Federal
7 land bank association under the provisions of this Act may,
8 at his option, borrow from the Federal land bank through
9 such association the sum necessary to pay for shares of
10 stock subscribed for by him in the Federal land bank
11 association. Any such sum for the purchase of stock shall
12 be made a part of the face amount of the loan and such sum
13 shall for all purposes be additional to the 65 per centum of
14 the normal value of the farm as specified in any provision
15 of this Act.”

16 (b) Section 10 of the Federal Farm Loan Act, as
17 amended (12 U.S.C. 751-757), is amended to read:

18 “SEC. 10. (a) Whenever an application for a mortgage
19 loan is made to a Federal land bank association, the loan
20 committee provided for in section 7 of this Act shall cause to
21 be made such investigation as it may deem necessary as to
22 the character and solvency of the applicant and the sufficiency
23 of the security offered. When it appears that a loan may be
24 approved, the loan committee shall obtain a written report

1 on the security by an appraiser designated or appointed
2 by the Federal land bank of the district and such appraiser
3 shall investigate and make a written report upon the security
4 offered. Such appraisal, investigation, and report shall be
5 made in accordance with appraisal standards prescribed by
6 the Farm Credit Administration and may be made by any
7 competent person (including an employee of a Federal land
8 bank association) when designated for that purpose by the
9 Federal land bank of the district. The loan committee shall
10 cause a written report to be made of the results of such
11 investigations of the applicant and the security and shall, if
12 it concurs in such report, approve the same in writing.
13 After the loan committee has reached an agreement as to
14 the amount and terms of the loan which may be offered to
15 the applicant, if such amount is not in excess of 65 per
16 centum of the normal value of the security offered as de-
17 termined by said appraiser, the association may notify the
18 applicant of the amount and terms of the loan approved
19 by the loan committee: *Provided*, That any such notice shall
20 contain a statement that the amount and terms of the loan
21 offered to the applicant are subject to and conditioned upon
22 subsequent approval or disapproval by the Federal land
23 bank.

24 “(b) The written report of the loan committee and the
25 report made by an appraiser designated or appointed by the

1 Federal land bank shall be submitted to the Federal land
2 bank with the application for the loan, and the land bank
3 shall examine said reports when it passes on the loan appli-
4 cation which they accompany. No loan shall be made unless
5 the report of the loan committee and the report of the
6 appraiser are favorable.

7 “(c) All appraisal reports shall be made on forms
8 approved by the Farm Credit Administration.

9 “(d) No farm credit appraiser and no appraiser desig-
10 nated or appointed by a Federal land bank shall make any
11 appraisal in connection with a loan in which he is interested,
12 directly or indirectly. No member of a loan committee or of
13 a board of directors of a Federal land bank association shall
14 participate in the consideration of or action on any loan in
15 which he is interested, directly or indirectly.

16 “(e) Each Federal land bank shall conduct studies in
17 such manner and to such extent as the Farm Credit Adminis-
18 tration deems necessary in connection with the appraisal
19 standards prescribed for the district.

20 “(f) Notwithstanding the foregoing provisions of this
21 section—

22 “(1) appraisal reports made by appraisers hereto-
23 fore or hereafter appointed by the Farm Credit Adminis-
24 tration pursuant to section 3 of this Act may be used
25 as a basis for Federal land bank loans;

1 “(2) the Farm Credit Administration may, in its
2 discretion and in such circumstances and for such periods
3 as it deems necessary, direct that any or all appraisals
4 in connection with loans by any Federal land bank, or
5 appraisal standards studies required by subsection (e),
6 shall be made by farm credit appraisers appointed pur-
7 suant to section 3 of this Act; and

8 “(3) for purposes of paragraph (2) of this sub-
9 section, the Farm Credit Administration is authorized
10 to employ additional farm credit appraisers, including
11 such appraisers as it may select who have been designated
12 or appointed by a Federal land bank, and to require
13 that the salaries and other expenses of all such addi-
14 tional appraisers be paid by the Federal land bank
15 served by them in such manner as the Farm Credit
16 Administration shall determine.

17 “(g) Farm credit appraisers appointed pursuant to sec-
18 tion 3 of this Act shall make such reviews and investi-
19 gations as the Farm Credit Administration determines to
20 be necessary to assure compliance with the appraisal stand-
21 ards prescribed by it pursuant to subsection (a) of this
22 section; make such additional reviews and investigations
23 concerning the quality of first mortgages securing farm
24 loan bonds as the Farm Credit Administration shall direct;
25 and perform such other duties as may be prescribed by the

1 Farm Credit Administration. Any first mortgage which is
2 found not to conform to the appraisal and loan standards
3 prescribed by the Farm Credit Administration shall not be
4 credited toward meeting the amount of bond collateral which
5 a Federal land bank is required to maintain with a farm loan
6 registrar except in such amount as the Farm Credit Admin-
7 istration shall approve.”

8 SEC. 103. On the effective date of this title each land
9 bank appraiser shall be transferred from the Farm Credit
10 Administration to the Federal land bank served by him
11 immediately prior to said effective date, without reduction in
12 salary and accumulated leave, unless the Farm Credit Admin-
13 istration, in its discretion, determines that individual ap-
14 praisers shall be retained as farm credit appraisers. The
15 selection of personnel for transfer, or for retention as farm
16 credit appraisers, shall be without regard to section 12 of the
17 Veterans' Preference Act of 1944, as amended (5 U.S.C.
18 861). Land bank appraisers shall be subject to the same
19 employment conditions as other bank employees after transfer
20 under this section. At least sixty days prior to the effective
21 date of this title the Farm Credit Administration shall notify
22 each land bank appraiser that he is to be transferred to a
23 Federal land bank or that he is to be retained in the Farm
24 Credit Administration. Any land bank appraiser who notifies
25 the Farm Credit Administration in writing at least thirty

1 days before the effective date of this title that he does not
2 desire to accept employment as stated in the notice from the
3 Farm Credit Administration shall be separated from employ-
4 ment on said effective date and such separation shall be
5 deemed involuntary.

6 SEC. 104. (a) Section 12 of the Federal Farm Loan
7 Act, as amended (12 U.S.C. 771), is amended by (1)
8 changing the last proviso of paragraph "Second" thereof to
9 read: "*And provided further*, That any land bank may make
10 loans on an unamortized or partially amortized basis, under
11 rules and regulations issued by the Farm Credit Administra-
12 tion."; (2) striking out of paragraph "Seventh" thereof
13 "loans to any one borrower shall in no case exceed a maxi-
14 mum of \$200,000, but".

15 (b) Section 20 of the Federal Farm Loan Act, as
16 amended, is amended by deleting the second sentence thereof
17 (12 U.S.C. 861, second sentence) and by inserting the
18 following immediately before the period at the end of the
19 last sentence thereof (12 U.S.C. 864, last sentence): "
20 except that, with the approval of the Farm Credit Admin-
21 istration, an issue of bonds may be limited to bearer or
22 coupon bonds".

23 (c) The first and second sentences of section 23 of the
24 Federal Farm Loan Act, as amended (12 U.S.C. 901), are

1 amended by substituting "at the end of each fiscal year" for
2 "semiannually" therein.

3 (d) The first and second sentences of section 24 of the
4 Federal Farm Loan Act, as amended (12 U.S.C. 911), are
5 amended by substituting "at the end of each fiscal year" for
6 "semiannually" therein.

7 (e) The seventh paragraph of section 29 of the Federal
8 Farm Loan Act, as amended (12 U.S.C. 967), is amended
9 by changing "land bank appraiser" in the second and third
10 sentences thereof to "farm credit appraiser".

11 (f) Section 202 (c) of the Federal Farm Loan Act, as
12 amended (12 U.S.C. 1033), is amended by changing the
13 period at the end thereof to a comma and adding the fol-
14 lowing: "and any Federal intermediate credit bank may in
15 its discretion purchase such loans or discounts with or with-
16 out such endorsement."

17 (g) Section 208 (c) of the Federal Farm Loan Act, as
18 amended (12 U.S.C. 1093), is amended by changing "Land
19 bank appraisers" in the first sentence thereof to "Farm credit
20 appraisers".

21 (h) The Federal Farm Loan Act, as amended (12
22 U.S.C. 641 et seq.), and any other Act of Congress in which
23 the words appear, are amended by changing "national farm

1 loan association” and “national farm loan associations” to
2 “Federal land bank association” and “Federal land bank
3 associations”, respectively.

4 (i) The Federal Farm Loan Act, as amended (12
5 U.S.C. 641 et seq.), and any other Act of Congress in which
6 the words appear, are amended by changing “secretary-
7 treasurer” and “secretary-treasurers”, when used to mean
8 the secretary-treasurer of a national farm loan association
9 (herein renamed “Federal land bank association”), to “man-
10 ager” and “managers”, respectively.

11 (j) The first sentence of section 5 (d) of the Farm
12 Credit Act of 1953 (12 U.S.C. 636d (d)) is amended by
13 inserting immediately before the period at the end thereof
14 “: *Provided*, That the salary of not more than three positions
15 of deputy governor shall each be fixed by the Board at a
16 rate not exceeding \$17,500 per annum”.

17 (k) This title shall become effective December 31,
18 1959.

19 TITLE II—STATUS OF FARM CREDIT BANKS AND 20 EMPLOYEES

21 SEC. 201. Notwithstanding any other provision of law,
22 and in order to encourage and facilitate increased borrower
23 participation in the management and control of institutions
24 operating under the supervision of the Farm Credit Admin-
25 istration in accordance with the policy declared in section 2

1 of the Farm Credit Act of 1953 (12 U.S.C., supp. IV,
2 636a), section 6 of the Farm Credit Act of 1937, as amended
3 (12 U.S.C. 6401), is amended—

4 (a) by inserting “(a)” immediately following
5 “SEC. 6.”, by redesignating subsections “(a)” and
6 “(b)” as paragraphs “(1)” and “(2)”, respectively,
7 and by deleting subsection “(c)”;

8 (b) by adding the following at the end of para-
9 graph (1) of subsection (a) thereof (as redesignated
10 herein) : “The employment, compensation, leave, retire-
11 ment (except as provided in subsection (e) hereof),
12 hours of duty, and all other conditions of employment of
13 such joint officers and employees employed by the dis-
14 trict farm credit board, and of separate officers and em-
15 ployees of the Federal land bank, Federal intermediate
16 credit bank, and bank for cooperatives of the district em-
17 ployed by the board of directors of such banks, shall be
18 determined by the respective boards without regard to
19 the laws from which exemption is granted in this sec-
20 tion, but all such determinations shall be consistent with
21 the laws under which such banks are organized and oper-
22 ate. Appointments, promotions, and separations so
23 made shall be based on merit and efficiency and no
24 political test or qualification shall be permitted or given
25 consideration. The district farm credit board shall,

1 under rules and regulations prescribed by the Farm
2 Credit Administration, provide for veterans' preference
3 and limitations against political activity for such officers
4 and employees substantially similar to the preference
5 and limitations to which such officers and employees
6 were subject upon enactment of this sentence.”; and

7 (c) by adding the following new subsections after
8 subsection (a) thereof (as redesignated herein) :

9 “(b) The provisions of section 1753 of the Revised
10 Statutes (5 U.S.C. 631) and the Act of January 16, 1883,
11 entitled ‘An Act to regulate and improve the civil service
12 of the United States’, as amended (22 Stat. 403; 5 U.S.C.
13 632 et seq.), any laws supplementary thereto, including
14 but not limited to the Act of August 24, 1912, as amended
15 (5 U.S.C. 652), section 1 of the Act of November 26, 1940,
16 as amended (5 U.S.C. 631a), and section 1310 of the Sup-
17 plemental Appropriation Act, 1952, as amended (5 U.S.C.
18 43, note), and any rules, orders, or regulations promulgated
19 for carrying such Acts or laws into effect, shall not apply
20 to a Federal land bank, Federal intermediate credit bank,
21 or bank for cooperatives, or to its directors, officers, or
22 employees.

23 “(c) The Federal Employees’ Compensation Act, as
24 amended (5 U.S.C., ch. 15), shall not be applicable in re-
25 spect to the injury, disability, or death of any employee of a

1 Federal land bank, Federal intermediate credit bank, or
2 bank for cooperatives unless such injury, disability, or death
3 (or cause thereof) occurred before January 1, 1960.

4 “(d) Section 9 of the Hatch Act, as amended (5 U.S.C.
5 118i), and the Veterans’ Preference Act of 1944, as amended
6 (5 U.S.C. 851–869), shall not be deemed to apply to a
7 Federal land bank, Federal intermediate credit bank, or bank
8 for cooperatives, or to its directors, officers, or employees.

9 “(e) Each officer and employee of a Federal land bank,
10 Federal intermediate credit bank, or bank for cooperatives
11 who, on December 31, 1959, is within the purview of the
12 Civil Service Retirement Act, as amended (5 U.S.C., supp.
13 IV, ch. 30), shall continue so during his continuance as an
14 officer or employee of any such banks without break in con-
15 tinuity of service. Any other officer or employee of such
16 banks and any other person entering upon employment with
17 any such banks after December 31, 1959, shall not be covered
18 under the civil service retirement system by reason of such
19 employment, except that (1) a person who, on December
20 31, 1959, is within the purview of the Civil Service Retire-
21 ment Act, as amended, and thereafter becomes an officer or
22 employee of any such banks without break in continuity of
23 service shall continue under the civil service retirement sys-
24 tem during his continuance as an officer or employee of any
25 such banks without break in continuity of service and (2) a

1 person who has been within the purview of said Act as an
2 officer or employee of such banks and, after a break in such
3 employment, again becomes an officer or employee of any
4 such banks may elect to continue under the civil service
5 retirement system during his continuance as such officer or
6 employee by so notifying the Civil Service Commission in
7 writing within thirty days after such reemployment.

8 “(f) In addition to such amounts as they are required
9 to contribute to the civil service retirement and disability
10 fund under section 4 (a) of the Civil Service Retirement Act,
11 as amended (5 U.S.C., supp. IV, 2254 (a)), each Federal
12 land bank, Federal intermediate credit bank, and bank for
13 cooperatives shall, for each fiscal year after June 30, 1960,
14 pay to the Farm Credit Administration to be covered into
15 the Treasury as miscellaneous receipts, its fair portion of the
16 cost of administration of said fund as determined in annual
17 billings by the Civil Service Commission.

18 “(g) Any Federal land bank, Federal intermediate
19 credit bank, or bank for cooperatives may, subject to the
20 approval of the Farm Credit Administration, establish a
21 retirement system for its officers and employees either sepa-
22 rately or jointly with any other corporation under the
23 supervision of the Farm Credit Administration. In deter-
24 mining eligibility for or the amount of any benefit under
25 any such retirement system, there shall not be taken into

1 account any service which is creditable under the Civil
2 Service Retirement Act, as amended, but service which
3 constitutes employment as defined in section 210 (a) of the
4 Social Security Act, as amended (42 U.S.C., supp. IV,
5 410 (a)), may be so taken into account notwithstanding
6 section 115 of the Social Security Amendments of 1954
7 (42 U.S.C., supp. IV, 410, note) or any other provision
8 of law.

9 “(h) Subsections (b), (c), (d), (e), (f), and (g)
10 of this section shall apply to the Central Bank for Coopera-
11 tives and its personnel and the board of directors of the
12 Central Bank for Cooperatives shall have all the authority
13 and responsibility with respect to personnel of such central
14 bank as is vested in the farm credit board of a district or
15 the board of directors of a district bank for cooperatives with
16 respect to personnel of any such district bank under sub-
17 section (a) (1) of this section.”

18 SEC. 202. (a) Section 210 (a) (6) (B) (ii) of title II
19 of the Social Security Act, as amended (42 U.S.C., supp.
20 IV, 410 (a) (6) (B) (ii)), and section 3121 (b) (6) (B)
21 (ii) of the Internal Revenue Code of 1954, as amended
22 (26 U.S.C., supp. IV, 3121 (b) (6) (B) (ii)), are each
23 amended by inserting “a Federal land bank, a Federal inter-
24 mediate credit bank, a bank for cooperatives,” immediately
25 before the words “a national farm loan association” therein.

1 (b) Section 2680 of title 28, United States Code, is
2 amended by adding at the end thereof the following new
3 subsection: “(n) Any claim arising from the activities of
4 a Federal land bank, a Federal intermediate credit bank,
5 or a bank for cooperatives.”.

6 (c) Section 102 (b) of the Federal Employees Pay
7 Act of 1945, as amended (5 U.S.C. 902 (b)), is amended
8 by striking out “and” immediately preceding “(6)” therein
9 and by inserting before the period at the end thereof “; and
10 (7) officers and employees of a Federal land bank, a Federal
11 intermediate credit bank, or a bank for cooperatives”.

12 (d) Section 303 of the Government Employees’ In-
13 centive Awards Act (5 U.S.C., supp. IV, 2122) is amended
14 by inserting within the parentheses after the words “the
15 Tennessee Valley Authority” the words “or the Central
16 Bank for Cooperatives”.

17 (e) Section 205 (e) of the Annual and Sick Leave
18 Act of 1951, as added by section 4 (b) of the Act of July 2,
19 1953 (5 U.S.C., supp. IV, 2064 (e)), and section 1 of
20 the Act of December 21, 1944, as amended by section 4 (a)
21 of the Act of July 2, 1953 (5 U.S.C., supp. IV, 61b),
22 are each amended by substituting “(C), (H), or (I)” for
23 “(C), or (H)” therein.

24 SEC. 203. (a) Nothing in this title shall be deemed
25 to amend, alter, repeal, or restrict the application of (1)

1 section 190 of the Revised Statutes (5 U.S.C. 99), relating
2 to the prosecution of claims against the United States by
3 former employees; (2) the Act of August 26, 1950 (5
4 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and
5 separation of employees for security reasons; (3) section
6 710 (e) of the Defense Production Act of 1950, as amended
7 (50 U.S.C., app., supp. IV, 2160 (e)), relating to the
8 authority of the President to provide for an executive reserve
9 training program; or (4) any Act of Congress the violation
10 of which is punishable by a fine or imprisonment, or both.

11 (b) Any Act of Congress enacted after the effective
12 date of this title and which states that it shall be applicable
13 to agencies or instrumentalities of the United States or to
14 corporations controlled or owned, in whole or in part, by
15 the United States, or to officers and employees of the United
16 States or such agencies or instrumentalities or corporations,
17 shall not be applicable to a Federal land bank, Federal inter-
18 mediate credit bank, or bank for cooperatives, or to its
19 directors, officers, or employees unless such Act specifically
20 so provides by naming such banks.

21 (c) This title shall become effective January 1, 1960.

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

By Mr. COOLEY

APRIL 14, 1959

Referred to the Committee on Agriculture

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of April 16, 1959
86th-1st, No. 57

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HIGHLIGHTS: Senate committee reported bills to: Expand industrial-use research. Expand special milk program. House committee ordered reported bill to revise price support level for tobacco. Sen. Humphrey and others introduced and Sen. Humphrey discussed bill to expand Public Law 480 and establish Peace Food Administration.

SENATE

1. RESEARCH. The Agriculture and Forestry Committee reported without amendment S. 690, which would establish an Agricultural Research and Industrial Administration in this Department to conduct research on the development of new and improved uses for farm products (S. Rept. 193). p. 5441
2. MILK. The Agriculture and Forestry Committee reported with amendment S. 1289, to increase and extend the special milk program for children (S. Rept. 194), and without amendment S. 753, to authorize cooperative associations of milk producers to bargain with purchasers singly or in groups (S. Rept. 192). p. 5441
3. TRADE FAIRS. Passed without amendment H. R. 5508, to provide permanently for the free importation of articles for exhibition at fairs, exhibitions, or expositions. This bill will now be sent to the President. p. 5489

4. WATER RIGHTS. Received a Kan. Legislature resolution urging the enactment of legislation to safeguard and preserve established State and individual rights to the use of water within the States. p. 5440
5. WHEAT. This office has received copies of an Agriculture and Forestry Committee print of a wheat stabilization bill. The draft includes provisions for percentage reductions in farm acreage allotments, penalties based on actual yield, increase in the penalty rate, reductions in exemptions, a limitation of \$25,000 in price supports for any person in any year, no price support for non-cooperators, and applicability of the proposed legislation to only the 1960 and 1961 crops.

HOUSE

6. MILITARY CONSTRUCTION. Passed, 377 to 7, with amendments H. R. 5674, to authorize certain construction at military installations, including an authorization for use of Public Law 480 and CCC funds. pp. 4592-5515
Concerning the use of Public Law 480 funds for defense purposes in foreign countries, Rep. Gross stated that "this is another subsidy which should not be charged in full to the farmers of America." p. 5496
7. WHEAT ALLOTMENTS. The Agriculture Committee recommitted to the Wheat Subcommittee H. R. 3436, to increase the durum-wheat acreage allotments in North Dakota, Minnesota, Montana, South Dakota, and California, and H. R. 5443, providing for the appointment by the Secretary, of a committee to study and recommend increases in durum-wheat allotments. p. D255
8. TOBACCO. The Agriculture Committee ordered reported with amendment H. R. 5058, to modify the price-support level for tobacco. p. D255
9. FARM CREDIT. The Agriculture Committee ordered reported without amendment H. R. 6353, to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from FCA to the Federal land banks. p. D255
10. INFLATION; EMPLOYMENT. Rep. Reuss discussed his bill, H. R. 6263, "to amend the Employment Act of 1946 to provide for its more effective administration, and to bring to bear an informed public opinion upon price and wage increases which threaten economic stability," which requires the President to hold public hearings on prospective or actual price and wage increases and to issue summaries of such hearings. He stated that the Administration, the AFL-CIO, the U. S. Chamber of Commerce, and the Federal Reserve Board oppose it. pp. 5520-4
11. ADJOURNED until Mon., Apr. 20. p. 5530

ITEMS IN APPENDIX

12. FARM PROGRAM. Sen. Thurmond inserted an article discussing some of the agricultural problems, stating that the farm program is for everybody "except the little farmer" and offering suggestions for improvements. pp. A3127-8
Rep. Loser inserted a reprint of an article listing results of a poll, including questions on the farm program. p. A3141
Extension of remarks of Rep. Brewster expressing concern about the "spiraling cost of administering a program which has failed to accomplish its primary stated purpose -- to help the low-income farmer ..." p. A3148
Rep. Levering inserted excerpts from a book written by J. C. Penny expressing the importance of a successful farm program and the value of preserving our soil. pp. A3170-1

April 20, 1959

Forest Service

Forest Land Management

"The committee recommends the allowance of the supplemental request of a direct appropriation of \$9,893,800 and the transfer from other appropriations of \$5,432,200 to provide for a total of \$15,326,000 for this appropriation. The funds recommended are for the following activities:

"Fire fighting, \$8,500,000.--These funds are required to meet the cost of fighting forest fires on national forest lands throughout the country.

"Forest land development, \$2,500,000.--These funds are for the development of national forests, including the construction of structural improvements and recreational areas, in those areas of the country that are especially burdened with unemployment, where such work will be of benefit to our national forests from the standpoint of conservation.

"Increased pay costs, \$4,326,000.--The committee action on this request is in accord with its general policy on increased pay costs explained on page 2 of this report.

"The committee recommends the allowance of \$500,000 for the construction of forest roads and trails in those areas of the country that are especially burdened with unemployment where the construction of such roads and trails will result in an improvement to the forest concerned from the standpoint of conservation.

Milk for Army Troops in Alaska

"The committee was urged to add language to the bill to require the Army to serve its troops in Alaska the same grade milk as is served to troops in the other 48 States.

"Such a requirement goes to the basic procurement policies of the Army and more properly should be considered in connection with the regular fiscal year 1960 Army budget.

"The committee suggests the Army be prepared at that time to discuss all aspects of the issue, including availability of fresh milk, versus recombined milk for its Alaskan personnel."

The bill includes funds for other Departments and agencies, including HEW, Office of Civil and Defense Mobilization, CSC, GSA, Outdoor Recreation Resources Review Commission, Commissions to study river basins in S. C., Ga., Ala., Fla., and Tex., Department of the Interior, Virgin Islands Corporation, Department of Labor (including unemployment compensation for veterans and Federal employees), Treasury Department, and Department of State (including contributions to international organizations).

5. CONTRACTS. Sen. Javits inserted a N. Y. County Board of Supervisors resolution favoring legislation to require Federal agencies to confine the award of contracts to domestic firms when such action would be in the best interests of the economy and defense of the U. S. p. 5594

6. FOREIGN AID. Sen. Scott spoke in support of the President's mutual security program, including economic aid to countries in need of assistance. pp. 5635-9

7. NOMINATIONS. Received the nomination of Christian A. Herter to be Secretary of State. p. 5654

HOUSE

8. CENTENNIAL CELEBRATION. Passed with amendments H. R. 4012, to provide for the centennial celebration of the establishment of the land-grant colleges, State universities, and USDA. pp. 5660-1

Agreed to the following committee amendments offered on the floor:

(1) A clause was stricken which would have allowed Commission members, if employed by the Federal Government, to use regular departmental appropriations for travel and others purposes; and (2) the total appropriation for the Commission shall not exceed \$200,000. p. 5661

9. FARM CREDIT. The Agriculture Committee reported without amendment H. R. 6353, to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from FCA to the Federal land banks (H. Rept. 287). p. 5705

10. MUTUAL SECURITY. Rep. Bowles defended the foreign aid program and recommended several changes in the mutual security authorization this year. pp. 5670-81

11. FARM PROGRAM. Rep. Coad discussed his farm plan "which cuts production with the farmer contributing 10% of his total tillable acreage," which will hold surpluses "off the market unless the price is right," give the farmer "freedom to plant the crops he wants," will raise the price "more by the cutting down of production but also by price supports," and will aid "family farmers." Reps. Brock and Roosevelt commended his plan. pp. 5681-3

12. INFLATION. Rep. Weaver stated that "labor leaders have it in their power either to weaken or to strengthen the national economy," warned of "inflationary wage increases," and inserted the results of two studies entitled, "The Relative Size of Labor Claims, Property Claims, and Tax Claims, Nationally and in Selected Commodities." pp. 5656-9

13. ADJOURNED until Thurs., Apr. 23. p. 5704

ITEMS IN APPENDIX

14. NATURAL RESOURCES. Extension of remarks of Sen. Wiley stressing the need for the preservation of our forests, minerals, wildlife, etc. p. A3197

15. AREA REDEVELOPMENT. Extension of remarks of Rep. McIntire stating that "the rural development program has received neither the attention nor the support it deserves," and inserting an article summarizing the activities of one rural community. p. A3202

16. ELECTRIFICATION. Extension of remarks of Sen. Yarborough commending REA, stating that "REA has proved its worth and has shown it can work well if it is unmolested," and inserting an article commenting on some of the controversial aspects of the program. pp. A3191-2

17. COOPERATIVES. Sen. Wiley stated that although co-ops cannot solve the whole problem, they have made a real contribution toward enabling farmers to better "weather the economic storms." p. A3194

FACILITATING AND IMPROVING OPERATIONS OF THE FARM CREDIT ADMINISTRATION

APRIL 20, 1959 — Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the
following

R E P O R T

[To accompany H.R. 6353]

The Committee on Agriculture, to whom was referred the bill (H.R. 6353) to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

Section 2 of the Farm Credit Act of 1953 (Public Law 202, 83d Cong., approved Aug. 6, 1953) states that it is the policy of the Congress—

to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership of the permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration.

That section also required the Federal Farm Credit Board established under the provisions of that act to make legislative recommendations for carrying that policy into effect, including means of increasing borrower participation in the ownership of the farm credit system to the end that the investment of the United States in the Federal intermediate credit banks, the production credit corporations, and the banks for cooperatives may be retired.

Pursuant to the obligation thus imposed on it by the 1953 act, the Federal Farm Credit Board made recommendations regarding legislation in a special report to the Congress on December 8, 1954 (S. Doc.

No. 7, 84th Cong., 1st sess.). The recommendations in that report with respect to the banks for cooperatives and the Federal land banks were enacted in the Farm Credit Act of 1955 (Public Law 347, 84th Cong., approved Aug. 11, 1955). The recommendations in the report with respect to the production credit corporations were considered in 1955 but the committee asked the Federal Board to give further study to the production credit corporations and the Federal intermediate credit banks and to make new recommendations with respect to these institutions. The recommendations made by the Federal Board pursuant to this request were enacted in the Farm Credit Act of 1956 (Public Law 809, 84th Cong., approved July 26, 1956). The bill herewith reported contains the remaining recommendations of the Federal Farm Credit Board for legislation deemed necessary to effectuate fully the policy of the 1953 act, to improve the efficiency of the lending service of the banks, and to clarify the application of certain Federal laws.

At the hearing before the Subcommittee on Conservation and Credit on H.R. 5740, H.R. 5929, and H.R. 5979, all identical bills, objection was raised to two provisions of the bill which the subcommittee deleted. One provision would have amended the Federal Farm Loan Act to authorize the Farm Credit Administration to merge or consolidate two or more national farm loan associations without the approval of such associations (sec. 104(e)) and the other would have amended a section of the Farm Credit Act of 1933 relating to interest rates on production credit association loans which appeared to involve an issue of Federal-State relations (sec. 104(k)). The Federal Farm Credit Board requested the deletion of the first provision and concurred with the subcommittee in the deletion of the second. The subcommittee also deleted from the bill the provision which would have removed the 6-percent interest rate limitation on Federal land bank loans.

The subcommittee also added a few amendments to the bill, most of which were of a clarifying and perfecting nature. The subcommittee ordered a clean bill to be introduced and that bill is reported herewith.

FARM CREDIT SYSTEM

The Farm Credit Administration is an independent agency in the executive branch of the U.S. Government. The agency consists of the Federal Farm Credit Board, the Governor, and other officers and employees appointed by the Governor. The Federal Farm Credit Board is a part-time, policymaking Board which consists of 13 members, 12 of whom are appointed by the President with the advice and consent of the Senate. In making the appointments, the President is required to receive and consider nominations by the various user groups in each farm credit district. The 13th member of the Board is designated by the Secretary of Agriculture as his representative on the Board.

The Farm Credit Administration supervises, examines, and coordinates the activities of the 37 banks and about 1,400 local associations which, together with the Farm Credit Administration, comprise the cooperative farm credit system. The Governor, under the general supervision and direction of the Federal Farm Credit Board, is responsible for the execution of the laws creating the powers, functions,

and duties of the Farm Credit Administration. Expenses of the Farm Credit Administration are not paid from Treasury funds but are paid through assessments against the banks and associations of the system.

The United States is divided into 12 farm credit districts. There is in each district a Federal land bank, a Federal intermediate credit bank, and a bank for cooperatives. Each district has a farm credit board which also serves as the board of directors of each of the three banks. Each district board consists of seven members, two elected by the national farm loan associations, two elected by the production credit associations, one elected by the stockholders of the bank for cooperatives, and two appointed by the Governor of the Farm Credit Administration with the concurrence of the Federal Farm Credit Board. There is a central bank for cooperatives located in the District of Columbia, which has a separate board of directors.

FEDERAL LAND BANKS

The Federal land banks were established under the Federal Farm Loan Act of 1916. They provide farmers and ranchers with long-term credit on farm real estate. These loans are made through national farm loan associations, also organized under the 1916 act. Each borrower from a Federal land bank is required to become a member of the national farm loan association through which the loan is made. The borrower buys capital stock of the association in an amount equal to 5 percent of the face amount of the loan and the association is required to purchase an equal amount of stock in the Federal land bank of the district.

A Federal land bank loan must be secured by a first mortgage on the farm or ranch of the borrower and is repayable on an amortized basis in annual or semiannual installments. The amount of loans to any one borrower may not exceed \$200,000. In no event, however, may the amount loaned exceed 65 percent of the appraised normal value of the farm or ranch offered as security.

The loan funds of the Federal land banks are obtained chiefly through the sale of consolidated bonds to the investing public. Since the banks obtain their loan funds in this manner, interest on loans made to farmers varies with the cost of money.

At the outset, the Federal land banks were largely capitalized by the U.S. Government. The law provided for the automatic retirement of Government capital in the banks under specified conditions and most of the original capital had been retired by 1932. In that year, however, due to the generally depressed condition of agriculture and the inability of the banks to find a ready market for their bonds, \$125 million of Government capital was invested in the banks. Later, approximately \$189 million additional Government capital was invested in the banks to assist them in granting extensions and deferments on outstanding mortgage loans. By 1947, however, all of the Government capital in the Federal land banks had been repaid.

Farmer members own all the capital stock of each of the approximately 900 national farm loan associations and the associations, in turn, own all the stock of the Federal land banks. Thus, the Federal land bank system has been completely farmer owned since 1947. On December 31, 1958, the combined net worth of all Federal land banks and national farm loan associations was approximately \$475 million.

FEDERAL INTERMEDIATE CREDIT BANKS

The Federal intermediate credit banks were established under the Agricultural Credits Act of 1923. They were organized as banks of discount to provide a permanent and dependable source of funds for institutions making loans to farmers and ranchers. Although these banks served many privately capitalized financing institutions in the decade following their organization, they never served farmers effectively until the system of production credit associations was established in 1933. Up to that time, there were not enough primary lenders with sufficient capital to make funds available to individual farmers in anything like an adequate volume. The production credit associations were established to make the rediscounting services of the Federal intermediate credit banks available to every farmer in the United States who has a satisfactory basis for credit.

As a result of the growth and development of the production credit system, the major part of the credit business of the intermediate credit banks is now done with the production credit associations. The most recent figures for the system as a whole show that about 93 percent of the banks' average daily balances of loans and discounts outstanding were accounted for by the production credit associations. The banks also do business with a number of other financing institutions (called OFI's), principally State-chartered, privately capitalized, agricultural credit corporations and livestock loan companies.

The intermediate credit banks obtain their loan funds primarily from the sale of short-term consolidated debentures to the investing public. The interest and discount rates which the banks charge the production credit associations and the OFI's depend upon the rates of interest which the banks have to pay on their debentures.

The Federal intermediate credit banks were originally capitalized by the U.S. Government. They remained so until January 1, 1957, the effective date of the Farm Credit Act of 1956, at which time the Government's capital investment in the banks was \$87.4 million, composed of \$60 million of the original capital and \$27.4 million transferred from the production credit corporations which were merged with the intermediate credit banks by the provisions of that act. The 1956 act included provisions under which the banks are now being converted from Government to private ownership. On January 1, 1957, production credit associations were required to subscribe, in the aggregate, to 15 percent of the capital stock of the intermediate credit banks. All of this stock has now been paid for and a corresponding amount of Government capital in the banks has been retired. The balance of the Government capital, represented by preferred stock, will be retired over a reasonable period of years from earnings of the banks and eventually they will be owned entirely by the production credit associations. As of April 1, 1959, \$13.6 million of the \$92.2 million (\$87.4 million referred to above plus \$4.8 million invested since 1957) of Government capital in the intermediate credit banks had been retired. The combined net worth of the intermediate credit banks on December 31, 1958, was \$166 million.

PRODUCTION CREDIT ASSOCIATIONS

There are 495 production credit associations in the United States. Loans by the associations are usually on a budget basis for periods up

to 1 year. Some loans for capital purposes are made for periods up to 5 years. Each borrower from a production credit association is required to own class B (voting) stock in the association in an amount equal to 5 percent of the amount of the loan. The loans are usually secured by chattel mortgages on crops or livestock but unsecured loans are made in appropriate cases.

The production credit associations provide credit to members at the lowest cost consistent with sound business practices. Interest rates vary among the associations. Since the associations obtain their loan funds by rediscounting farmers' notes with the Federal intermediate credit banks, interest rates are determined largely by the cost of money to those banks.

Initially, the production credit associations were capitalized almost entirely through the purchase of class A (nonvoting) stock by the Government. Over the years, farmers have also purchased substantial amounts of class A stock to increase the lending capacity of their associations and to retire Government capital. These purchases of class A stock were over and above the class B stock required to be owned in connection with each loan. Most associations have elected to devote their earnings to building their financial strength and, consequently, members have largely foregone returns on their stock investments. As capital investments by members grew and earnings of the associations accumulated, the Government capital in the associations has been gradually retired. This plan of operation has enabled the associations to retire all but \$4 million of the approximately \$90 million of Government capital invested in them and only 40 of the associations have any Government capital left. Member-owned capital stock of the 495 associations at December 31, 1958, amounted to \$131,980,000 and the combined net worth of all the associations on that date was approximately \$246 million.

BANKS AND COOPERATIVES

The banks for cooperatives were organized under the Farm Credit Act of 1933. They make loans to farmers' marketing, purchasing, and service cooperatives. Three distinct types of loans are made: commodity, operating capital, and facility loans. Interest rates vary with the type of loan. Generally, the commodity loans carry the lowest interest rate, operating capital the next higher, and facility loans the highest rate.

The loan funds of the banks for cooperatives, other than those available from their capital and surplus, are obtained from the sale of consolidated debentures. As is the case with other banks of the system, interest rates charged by the banks for cooperatives depend, to a large extent, upon the rates they have to pay on their debentures.

The banks for cooperatives were capitalized by the United States out of the revolving fund from which the Federal Farm Board previously made loans to cooperatives under the Agricultural Marketing Act of 1929. As the credit service of these banks increased, capital stock subscriptions by the United States increased until they reached \$178.5 million in 1945. This amount was reduced to \$150 million at the time of passage of the Farm Credit Act of 1955.

The Farm Credit Act of 1955 provided a plan for the systematic retirement over a period of years of the Government capital in the banks

for cooperatives. This was to be made possible by the creation of permanent capital contributed by the users of the banks. From organization until January 1, 1956, the effective date of the 1955 act, borrowers from the banks for cooperatives were required to purchase capital stock of the banks equal to approximately 5 percent (a lower percentage in the case of commodity loans) of the amount of their loans. Upon repayment of the loan, borrowers had the right to have the stock retired and receive the proceeds either in cash or have them applied as a payment on the loan. Borrower capital built up in this manner could not be regarded as permanent.

Under the Farm Credit Act of 1955, borrowers from the banks for cooperatives are required to purchase class C (voting) stock in the banks in an amount related to the quarterly interest payments on their loans (from 10 to 25 percent as determined by the bank with the approval of the Farm Credit Administration). Also, the net earnings of the banks, after reserves, certain dividends, and franchise taxes are provided for, are required to be distributed in class C stock to the borrowing cooperatives. Class A (Government-owned) stock of the banks is required to be retired each year in an amount equal to the amount of class C stock issued for that year. Thus, funds from regular investments in class C stock by the borrowers and from net earnings of the banks are being used to retire Government capital.

As of June 30, 1958, the banks for cooperatives had retired \$15.2 million of Government capital since the Farm Credit Act of 1955 became effective on January 1, 1956. This reduced the amount of Government-owned stock in the banks to less than \$135 million compared with a peak of \$178.5 million in 1945 and \$150 million on January 1, 1956, when the 1955 act became effective. The combined net worth of the banks for cooperatives on December 31, 1958, was \$265.3 million.

ANALYSIS OF THE BILL

Short title

Section 1 provides that the short title of the bill shall be the "Farm Credit Act of 1959."

TITLE I—FEDERAL LAND BANKS

Farm Credit appraisers (sec. 101)

Section 101 would amend section 3 of the Federal Farm Loan Act, as amended, to authorize the Farm Credit Administration to appoint farm credit appraisers to perform those appraisal functions which, under the provisions of the bill, are to be retained by the Farm Credit Administration and such other duties as may be assigned to them from time to time by the Farm Credit Administration. The farm credit appraisers would establish appraisal standards and make reviews and investigations concerning compliance with those standards and the quality of first mortgages securing land bank bonds. Section 101 also deletes certain provisions of existing law which are already obsolete or are made so under the provisions of the bill.

Addition to loan for stock purchase (sec. 102(a))

Section 102(a) would amend section 9 of the Federal Farm Loan Act, as amended, to provide that any additional sum loaned for the required purchase of Federal land bank association stock may be over

and above the present loan limit of 65 percent of the value of the farm mortgaged. The land banks are authorized to include in the loan an additional amount to pay for association stock but the present law provides that any such addition shall not permit the loan to exceed such 65 percent limitation.

Transfer of responsibility for making appraisals (sec. 102(b))

Section 102(b) would reenact section 10 of the Federal Farm Loan Act, as amended, with these important changes:

1. Appraisals for land bank loans would be made by appraisers appointed or designated by the banks, in accordance with appraisal standards prescribed by the Farm Credit Administration. All such appraisals must now be made by Federal appraisers, except those made by designees under the designee appraisal program authorized by the Farm Credit Act of 1955.

2. Any appraisal made by a bank designee would no longer need to be followed by a second appraisal by a Federal appraiser after the effective date of title I of the bill.

3. Farm credit appraisers and appraisers for the land banks would be prohibited from making any appraisal in connection with loans in which they are interested.

4. Federal land banks would conduct appraisal studies as required by the Farm Credit Administration.

5. The Farm Credit Administration would be authorized, in its discretion, to have appraisals and appraisal standards studies made by farm credit appraisers in one or more districts, or in parts of districts, if that should be deemed necessary. Thus, the Farm Credit Administration would be authorized to withdraw the authority for a land bank to be responsible for making appraisals and appraisal studies if it should appear advisable for the Farm Credit Administration to again assume that responsibility. This could be done as to all appraisals in a district or on a partial basis only.

6. Farm credit appraisers would make reviews and investigations regarding compliance with Farm Credit Administration standards with respect to appraisals and the quality of first mortgages securing Federal land bank bonds.

Transfer of appraisers to land banks (sec. 103)

Section 103 of the bill provides for the transfer to the Federal land banks of about 230 appraisers now employed by the Farm Credit Administration. Some 36 other appraisers would be retained by the Farm Credit Administration to carry out appraisal responsibilities imposed upon it under the provisions of the bill. The Farm Credit Administration would have discretion in the selection of appraisers which it would retain and it is intended that both the selection of farm credit appraisers and the transfer of appraisers to the land banks would be without regard to other provisions of law relating to the transfer or separation of Federal employees. Section 12 of the Veterans' Preference Act is expressly mentioned because it is the only one of such provisions which appears to have any application to the situation covered by section 103 of the bill.

The accumulated annual and sick leave carried over from the preceding leave year by each appraiser would be credited to his leave account in the bank to which he is transferred. Each such appraiser would also be transferred at the salary rate current at the time of

transfer but his salary thereafter would be subject to the salary regulations applicable to other bank employees, including any appropriate adjustments resulting from a change of duties.

Unamortized or partially amortized loans (sec. 104(a))

Section 104(a) would authorize the land banks to make loans on an amortized or partially amortized basis under rules and regulations issued by the Farm Credit Administration. Since the language of this section would clearly permit refinancing of outstanding loans on an unamortized or partially amortized basis, it is considered that the authority therein granted would also permit the banks to agree to repayment of existing loans on the same basis. Present law provides that the banks may make loans only under an amortization plan calling for a fixed number of annual or semiannual payments.

Maximum loan limit (sec. 104(a))

Section 104(a) would also remove the \$200,000 maximum loan limit applicable to Federal land bank loans but would retain the present provision which requires Farm Credit Administration approval of any loan exceeding \$100,000.

Removal of interest limitation on land bank bonds (sec. 104(b))

Section 104(b) would remove the 5-percent interest rate limitation which now applies to Federal land bank bonds. Since the banks obtain most of their loan funds through the sale of their bonds, this change will enable them to remain in a position to serve their real estate credit needs even if they should have to pay a higher rate than they are now permitted to pay. Section 104(b) would also authorize the land banks, with the approval of the Farm Credit Administration, to issue only coupon bonds when it is anticipated that there will be no demand for registered bonds. Under present law, provision must be made for an estimated quantity of registered bonds and often, in the case of short-term issues, these bonds are not used. Registered bonds would, of course, be printed and available for all issues of long-term bonds.

Additions to reserves (sec. 104 (c) and (d))

Section 104(c) would provide that additions which the land banks make to their reserve accounts from earnings shall be made annually rather than semiannually as required under present law. Section 104(d) contains a similar provision for the land bank associations.

Miscellaneous amendments (sec. 104 (e), (f), (g), (h), (i), and (j))

Section 104 also contains a number of minor amendments, the most important of which would change the name of the national farm loan associations and their secretary-treasurers to "Federal land bank associations" and "managers," respectively (sec. 104 (h) and (i)), and authorize the Federal Farm Credit Board to fix the salary of not more than three positions of Deputy Governor at a rate not exceeding \$17,500 per annum (sec. 104(j)). It is intended that the three positions would be those of the Directors of the Land Bank Service, the Cooperative Bank Service, and the Short-Term Credit Services (intermediate and production credit) all of which are now also Deputy Governors.

Effective date (sec. 104(k))

Section 104(k) provides that title I shall become effective December 31, 1959.

TITLE II—STATUS OF FARM CREDIT BANKS AND EMPLOYEES

Employment authority of banks (sec. 201)

Section 201 would amend section 6 of the Farm Credit Act of 1937 to authorize the farm credit board of each district and the board of directors of each bank therein to employ and determine the conditions of employment of joint officers and employees and of separate officers and employees of each bank, respectively, without regard to certain laws enumerated therein. These exempt laws include: the civil service laws and all rules, regulations, and orders issued thereunder; the Federal Employees' Compensation Act; the Hatch Act and the Veterans' Preference Act of 1944; and the Civil Service Retirement Act, except that bank employees under civil service retirement on December 31, 1959, would continue under that retirement system. Section 201 would, however, require the district farm credit board, under rules and regulations issued by the Farm Credit Administration, to provide officers and employees of the banks with veterans' preference and limitations against political activity substantially similar to the preference and limitations to which these employees were subject on the effective date of title II.

Section 201 would also authorize the banks in each farm credit district to establish their own retirement system for those employees not covered by civil service retirement. These district retirement plans would be subject to approval of the Farm Credit Administration and it is intended that they would, together with benefits under social security, provide the employees covered thereunder with substantially the same protection which other bank employees have under civil service retirement. The provisions of section 201 would apply also to the central bank for cooperatives and its employees.

Social security (sec. 202(a))

Section 202(a) would amend the Social Security Act and the Internal Revenue Code to provide social security coverage for bank employees who are not under civil service retirement and to subject both the banks and the employees to social security taxes.

Additional exemptions (sec. 202 (b), (c), (d), and (e))

Section 202 would also exempt the farm credit banks and their employees from any applicable provisions of the following laws: the Federal Tort Claims Act (sec. 202(b)), the Federal Employees Pay Act of 1945 (sec. 202(e)), the Government Employees' Incentive Awards Act (sec. 202(d)), and the Annual and Sick Leave Act of 1951 and the Lump-Sum Leave Payment Act of 1944 (sec. 202(e)).

Criminal laws and laws relating to loyalty and security (sec. 203(a))

Section 203(a) expressly provides that the bill does not exempt farm credit bank employees from any Federal criminal laws or Federal laws relating to loyalty and security which may now apply to them.

Application of future Federal laws (sec. 203(b))

Section 203(b) provides that no future act of Congress relating to agencies or instrumentalities of the United States or to corporations owned or controlled, in whole or in part, by the United States, or to officers and employees of the United States or such agencies or instrumentalities or corporations, shall apply to farm credit banks and their directors, officers, and employees unless such act specifically so provides by naming such banks therein.

Effective date (sec. 203(c))

Section 203(c) provides that title II shall become effective January 1, 1960.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman):

ACT OF JULY 17, 1916

AN ACT To provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be "The Federal Farm Loan Act."

*	*	*	*	*	*	*
SEC. 3.	*	*	*			
	*	*	*	*	*	*

【The Farm Credit Administration shall appoint a farm loan registrar in each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint one or more land bank appraisers for each farm credit district and as many farm credit examiners as it shall deem necessary. Farm loan registrars, deputy registrars, land bank appraisers, and farm credit examiners appointed under this section shall be public officials and shall, during their continuance in office, have no connection with or interest in any other institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages: *Provided, That this limitation shall not apply to persons employed by the administration temporarily to do special work.*】

The Farm Credit Administration shall appoint a farm loan registrar for each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint as many farm credit appraisers and farm credit examiners as it

shall deem necessary. Such farm loan registrars, deputy registrars, farm credit appraisers, and farm credit examiners shall have no connection with or interest in any institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: Provided, That this limitation shall not apply to persons employed by the Farm Credit Administration on a temporary basis.

【Federal land bank appraisers, and appraisers or inspectors of Federal intermediate credit banks, shall receive such compensation as the Farm Credit Administration shall fix and shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks they serve, in such proportion and in such manner as the Farm Credit Administration shall order.】

【The Farm Credit Administration shall be authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as it may deem necessary to conduct the business of said administration. All salaries and fees authorized in this section and not otherwise provided for shall be fixed in advance by said administration and shall be paid in the same manner as the salary of the Land Bank Commissioner. All such attorneys, experts, assistants, clerks, laborers, and other employees, and all registrars, examiners, and appraisers shall be appointed without regard to the provisions of the Act of January 16, 1883 (22 Stat., 403), and amendments thereto, or any rule or regulation made in pursuance thereof and may be classified without regard to the Classification Act of 1949: *Provided, That nothing herein shall prevent the President from placing said employees in the classified service.*】

* * * * *

The Farm Credit Administration shall from time to time require examinations and reports of condition of all land banks established under the provisions of this Act and shall publish consolidated statements of the results thereof. 【It shall cause to be made appraisals of farm lands as provided by this Act, and shall prepare and publish amortization tables which shall be used by national farm loan associations and land banks organized under this Act.】

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SEC. 9. * * *

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【Any person desiring to secure a loan through a national farm loan association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association, such sum to be made a part of the face of the loan and paid off in amortization payments: *Provided, however, That such addition to the loan shall not be permitted to increase said loan above the limitation imposed in subsection fifth of section twelve.*】

Any person desiring to secure a loan through a Federal land bank association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the Federal land bank association. Any such sum for the purchase of stock shall be made a

part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act.

* * * * *

[SEC. 10. Whenever an application for a mortgage loan is made to a national farm-loan association, the loan committee provided for in section 7 of this Act shall forthwith make, or cause to be made, such investigation as it may deem necessary as to the character and solvency of the applicant, and the sufficiency of the security offered. The committee may request a report on the value of the security by a land bank appraiser appointed under the authority of section 3 of this Act, in which event such an appraiser shall investigate and make a written report to the association upon the security offered. The committee shall cause written report to be made of the results of such investigation or investigations as it has required to be made and shall, if it concurs in such report, approve the same in writing. No loan shall be made unless the report of the committee is favorable. After the investigation required in this paragraph has been made, the association has requested and received a report upon the value of the security by a land bank appraiser, and the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser the secretary-treasurer may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

[The written report required in the preceding paragraph, together with any report made by a land bank appraiser, shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said written report when it passes on the loan application which it accompanies, but it shall not be bound by the value placed upon the property by the loan committee.

[Before any mortgage loan is made by any Federal land bank, or joint-stock land bank, it shall refer the application to one or more of the land bank appraisers appointed under the authority of section 3 of this Act, and such appraiser or appraisers shall investigate and make a written report on the security offered for said loan: *Provided*, That if a land bank appraiser has made a report on said security to the national farm-loan association, the Federal land bank need not request an additional report. No such loan shall be made by said land bank unless the written report of the land bank appraiser is favorable.

[Forms for appraisal reports for farm loan associations and land banks shall be prescribed by the Farm Credit Administration.

[Land bank appraisers shall make such examinations and appraisals and conduct such investigations, concerning farm loan bonds and first mortgages, as the Farm Credit Administration shall direct.

[No borrower under this Act shall be eligible as an appraiser under this section, but borrowers may act as members of a loan committee in any case where they are not personally interested in the loan under

consideration. When any member of a loan committee or of a board of directors is interested, directly or indirectly, in a loan, a majority of the board of directors of any national farm loan association shall appoint a substitute to act in his place in passing upon such loan.

【Notwithstanding any other provision of this Act to the contrary, subject to the approval of the Farm Credit Administration, the investigation and the written report or reports on the value of the security offered for a Federal land bank loan, which otherwise are required by this section to be made by land bank appraisers appointed under the authority of section 3 of this Act, may be made, in accordance with appraisal standards prescribed by the Farm Credit Administration, by any person (including a person who is secretary-treasurer of a national farm loan association) designated so to do by the Federal land bank of the district; a Federal land bank is authorized to make a loan, if otherwise authorized, on the basis of such an investigation and report by a person so designated; and a loan so made shall be eligible as collateral for farm loan bonds under section 19 of this Act, if otherwise qualified thereunder: *Provided, That*, within one year, the land bank shall obtain a written report on the security for the loan by a land bank appraiser appointed under section 3 of this Act, in terms and form prescribed by the Farm Credit Administration, and such a loan shall be eligible as collateral for farm loan bonds thereafter only if such report by a land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan, and in no event shall any such loan thereafter be carried as such collateral for bonds at more than 65 per centum of the normal value of the security as determined by such land bank appraiser. Except as otherwise specifically provided in this paragraph, all provisions of this Act relating to loans made through national farm loan associations shall, insofar as applicable, apply with respect to loans made on such investigations and written reports by such designated persons.】

SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal, investigation, and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee:

Provided, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

(b) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.

(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.

(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

(f) Notwithstanding the foregoing provisions of this section—

(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;

(2) the Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and

(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve.

*	*	*	*	*	*	*
SEC. 12.	*	*	*			
*	*	*	*	*	*	*

Second. Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm-loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding, except with the approval of the Governor of the Farm Credit Administration, 1 per centum per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan, under the rules and regulations of the Farm Credit Administration: *And provided further*, That under the rules and regulations of the Farm Credit Administration any land bank may agree, at the time a loan is made or thereafter, that the mortgagor may make such payments or portions of payments in advance or pay the entire principal of such loan during the first five years the loan is in effect: **[And provided further**, That before the first issues of farm loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this Act.] *And provided further*, That any land bank may make loans on an unamortized or partially amortized basis, under rules and regulations issued by the Farm Credit Administration.

* * * * *

Seventh. The amount of **[loans to any one borrower shall in no case exceed a maximum of \$200,000, but]** loans to any one borrower shall not exceed \$100,000 unless approved by the Farm Credit Administration, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under.

* * * * *

SEC. 20. Bonds provided for in this Act shall be issued in such amounts, denominations, and bear such terms as the Farm Credit Administration may authorize; they shall have a specified maturity, but may, in addition, when stated in the bonds, be redeemable, at the option of the land bank, at an earlier specified date or dates. **[They shall bear a rate of interest not to exceed 5½ per centum per annum, but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per centum per annum.]**

* * * * *

In order to furnish farm loan bonds for delivery at the Federal land banks and joint stock land banks, the Secretary of the Treasury is authorized to prepare suitable bonds in such form, subject to the provisions of this Act, as the Farm Credit Administration may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the Farm Credit Administration. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury.

Any expenses incurred in the preparation, custody, and delivery of such farm loan bonds shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however,* That the Secretary shall be reimbursed for such expenditures by the Farm Credit Administration through assessment upon the farm land banks in proportion to the work executed. They may be exchanged into registered bonds of any amount, and reexchanged into coupon bonds, at the option of the holder, under rules and regulations to be prescribed by the Farm Credit Administration, *except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds.*

* * * * *

SEC. 23. Every Federal land bank shall [semiannually] *at the end of each fiscal year* carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto [semiannually] *at the end of each fiscal year* until said reserve account shall show a credit balance equal to 150 per centum of the outstanding capital stock of said land bank, and any land bank having a credit balance in said reserve account in excess of 150 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid.

* * * * *

SEC. 24. Every [national farm loan association] *Federal land bank association* shall, out of its net earnings, [semiannually] *at the end of each fiscal year* carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be [semiannually] *at the end of each fiscal year* added thereto until said reserve account shall show a credit balance equal to 50 per centum of the outstanding capital stock of said association, and any association having a credit balance in said reserve account in excess of 50 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration.

* * * * *

SEC. 29. * * *

* * * * *

Upon receiving satisfactory evidence that any [national farm loan association] *Federal land bank association* has failed to meet its outstanding obligations of any description, and that it will be to the best interests of its creditors and stockholders for the association to continue in business, The Farm Credit Administration may, in its discretion, in lieu of appointing a receiver as hereinabove in this section provided, appoint a conservator for such association and require of him such bond and security as the Administration may deem proper. The person so appointed shall be a [land bank appraiser] *farm credit*

appraiser appointed under the authority of section 3 of this Act: *Provided, however,* That the Farm Credit Administration may, in its discretion, appoint some other qualified person. Any [land bank appraiser] *farm credit appraiser* appointed as a conservator shall serve without any additional compensation. Any other person appointed as a conservator shall recieve such compensation as the Farm Credit Administration may authorize. Such compensation and all neccessary and proper expenses of any such convservatorship shall be paid out of the assets of such association and shall be a lien thereon which shall be prior to any other lien.

* * * * *
SEC. 202. * * *
* * * * *

(c) Loans, advances, or discounts made under this section shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not more than five years. Any Federal intermediate credit bank may in its discretion sell loans or discounts made under this section, with or without its endorsement[.], *and any Federal intermediate credit bank may in its discretion purchase such loans or discounts with or without such endorsement.*

* * * * *
SEC. 208. * * *
* * * * *

(c) [Land bank appraisers] *Farm credit appraisers* are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to investigate and make a written report upon the products covered by warehouse receipts or shipping documents, and the livestock covered by mortgages, which are security for notes or other such obligations representing any loan to any organization, under this title. Farm credit examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to examine and make a written report upon the condition of any organization, except national banks, to which the Federal intermediate-credit bank contemplates making any such loan.

* * * * *

ACT OF AUGUST 6, 1953

AN ACT To increase farmer participation in ownership and control of the Federal Farm Credit System; to create a Federal Farm Credit Board; to abolish certain offices; to impose a franchise tax upon certain farm credit institutions; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE

SECTION 1. This Act may be cited as the "Farm Credit Act of 1953".

* * * * *
SEC. 5. * * *
* * * * *

(d) The Governor shall appoint such other personnel as may be necessary to carry out the functions, powers, and duties vested in the Farm Credit Administration: *Provided, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum.* The Farm Credit Administration shall consist of the Board, the Governor, and such other personnel as are employed in carrying out the functions, powers, and duties vested in the Farm Credit Administration. All functions, powers, and duties of the Farm Credit Administration, except those herein conferred upon the Board, shall be exercised and performed by the Governor and may be exercised and performed by him through such officers and employees of the Farm Credit Administration as he shall designate.

* * * * *

ACT OF AUGUST 19, 1937

AN ACT To amend the Federal Farm Loan Act, to amend the Emergency Farm Mortgage Act of 1933, to amend the Farm Credit Act of 1933, to amend the Federal Farm Mortgage Corporation Act, to amend the Agricultural Marketing Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1937."

* * * * *

SEC. 6. (a) Each farm credit board provided for in this Act shall have power, subject to the approval of the Farm Credit Administration—

[(a)] (1) To employ joint officers and employees for the Federal land bank, Federal intermediate credit bank, and regional bank for cooperatives in its district. The salaries or other compensation of all such joint officers and employees shall be fixed by the district farm credit board and shall be paid by the Federal land bank of the district. Such bank shall be reimbursed therefor by the other institutions in the district, in such amounts and upon such conditions as the board shall determine. Officers and employees appointed by the district farm credit board shall be officers and employees of the district institutions served by them. *The employment, compensation, leave, retirement (except as provided in subsection (e) hereof), hours of duty, and all other conditions of employment of such joint officers and employees employed by the district farm credit board, and of separate officers and employees of the Federal land bank, Federal intermediate credit bank, and bank for cooperatives of the district employed by the board of directors of such banks, shall be determined by the respective boards without regard to the laws from which exemption is granted in this section, but all such determinations shall be consistent with the laws under which such banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The district farm credit board shall, under rules and regulations prescribed by the Farm Credit Administration, provide for veterans' preference and limitations against political activity for such officers and employees substantially*

similar to the preference and limitations to which such officers and employees were subject upon enactment of this sentence.

[(b)] (2) To authorize the acquisition and disposal of such property, real or personal, as may be necessary or convenient for the transaction of the business of the Federal land bank, the Federal intermediate credit bank, and the bank for cooperatives located in its district, upon such terms and conditions as it shall fix, and to prorate among such institutions the cost of purchases, rentals, construction, repairs, alterations, maintenance, and operation, in such amounts and in such manner as it shall determine. Any lease, or any contract for the purchase or sale of property, or any deed or conveyance of property, or any contract for the construction, repair, or alteration of buildings, authorized by a district farm credit board under this subsection shall be executed by the officers of the institution or institutions concerned pursuant to the direction of such board. No provision of law relative to the acquisition or disposal of property, real or personal, by or for the United States, or relative to the making of contracts or leases by or for the United States, including the provisions set out in title 40 and title 41 of the United States Code, 1934 edition, and the Supplements thereto, and including provisions applicable to corporations wholly owned by the United States, shall be deemed or held applicable to any lease, purchase, sale, deed, conveyance, or contract authorized or made by a district farm credit board, Federal land bank, Federal intermediate credit bank, or bank for cooperatives under this subsection.

[(c)] No corporation under the supervision of the Farm Credit Administration, of which corporation any member of the board of directors is elected or appointed by private interests, shall be subject to the provisions of the Acts of Congress approved March 14, 1936 (49 Stat. 1161, 1162) (U.S.C., title 5, secs. 29a, 30b-30m, 31a).]

(b) *The provisions of section 1753 of the Revised Statutes (5 U.S.C. 631) and the Act of January 16, 1883, entitled "An Act to regulate and improve the civil service of the United States", as amended (22 Stat. 403; 5 U.S.C. 632 et seq.), any laws supplementary thereto, including but not limited to the Act of August 24, 1912, as amended (5 U.S.C. 652), section 1 of the Act of November 26, 1940, as amended (5 U.S.C. 631a), and section 1310 of the Supplemental Appropriation Act, 1952, as amended (5 U.S.C. 43, note), and any rules, orders, or regulations promulgated for carrying such Acts or laws into effect, shall not apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.*

(c) *The Federal Employees' Compensation Act, as amended (5 U.S.C. ch. 15), shall not be applicable in respect to the injury, disability, or death of any employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives unless such injury, disability, or death (or cause thereof) occurred before January 1, 1960.*

(d) *Section 9 of the Hatch Act, as amended (5 U.S.C. 118i), and the Veterans' Preference Act of 1944, as amended (5 U.S.C. 851-869), shall not be deemed to apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.*

(e) *Each officer and employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended (5*

U.S.C., supp. IV, ch. 30), shall continue so during his continuance as an officer or employee of any such banks without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such banks after December 31, 1959, shall not be covered under the civil service retirement system by reason of such employment, except that (1) a person who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any such banks without break in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of such banks and, after a break in such employment, again becomes an officer or employee of any such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

(f) In addition to such amounts as they are required to contribute to the civil service retirement and disability fund under section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C., supp. IV, 2254(a)), each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall, for each fiscal year after June 30, 1960, pay to the Farm Credit Administration to be covered into the Treasury as miscellaneous receipts, its fair portion of the cost of administration of said fund as determined in annual billings by the Civil Service Commission.

(g) Any Federal land bank, Federal intermediate credit bank, or bank for cooperatives may, subject to the approval of the Farm Credit Administration, establish a retirement system for its officers and employees either separately or jointly with any other corporation under the supervision of the Farm Credit Administration. In determining eligibility for or the amount of any benefit under any such retirement system, there shall not be taken into account any service which is creditable under the Civil Service Retirement Act, as amended, but service which constitutes employment as defined in section 210(a) of the Social Security Act, as amended (42 U.S.C., supp. IV, 410(a)), may be so taken into account notwithstanding section 115 of the Social Security Amendments of 1954 (42 U.S.C., supp. IV, 410, note) or any other provision of law.

(h) Subsections (b), (c), (d), (e), (f), and (g) of this section shall apply to the Central Bank for Cooperatives and its personnel and the board of directors of the Central Bank for Cooperatives shall have all the authority and responsibility with respect to personnel of such central bank as is vested in the farm credit board of a district or the board of directors of a district bank for cooperatives with respect to personnel of any such district bank under subsection (a)(1) of this section.

* * * * *

SOCIAL SECURITY ACT

* * * * *

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

* * * * *

DEFINITION OF EMPLOYMENT

SEC. 210 * * *

*	*	*	*	*	*	*
(a)	*	*	*			
*	*	*	*	*	*	*
(6)	*	*	*			
*	*	*	*	*	*	*
(B)	*	*	*			
*	*	*	*	*	*	*

(ii) service performed in the employ of a *Federal land bank*, a *Federal intermediate credit bank*, a *bank for cooperatives*, a **[national farm loan association]** *Federal land bank association*, a production credit association, a Federal Reserve Bank, a Federal Home Loan Bank, or a Federal Credit Union;

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INTERNAL REVENUE CODE OF 1954

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CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

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SEC. 3121. Definitions.

*	*	*	*	*	*	*
(b)	Employment.	*	*	*		
*	*	*	*	*	*	*
(6)	*	*	*			
*	*	*	*	*	*	*
(B)	*	*	*			
*	*	*	*	*	*	*

(ii) service performed in the employ of a *Federal land bank*, a *Federal intermediate credit bank*, a *bank for cooperatives*, a **[national farm loan association]** *Federal land bank association*, a production credit association, a Federal Reserve Bank, a Federal Home Loan Bank, or a Federal Credit Union;

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TITLE 28 OF UNITED STATES CODE

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CHAPTER 171—TORT CLAIMS PROCEDURE

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§ 2680. Exceptions.

*	*	*	*	*	*	*
(n)	Any claim arising from the activities of a <i>Federal land bank</i> , a <i>Federal intermediate credit bank</i> , or a <i>bank for cooperatives</i> .					
*	*	*	*	*	*	*

SECTION 102(b) OF FEDERAL EMPLOYEES PAY ACT OF 1945

(b) This Act, except section 607, shall not apply to (1) officers and employees in the field service of the Post Office Department; (2) employees outside the continental limits of the United States, including those in Alaska, who are paid in accordance with local native prevailing wage rates for the area in which employed; (3) officers and employees of the Inland Waterways Corporation; (4) officers and employees of the Tennessee Valley Authority; (5) individuals to whom the provisions of section 1(a) of the Act of March 24, 1943 (Public Law Numbered 17, Seventy-eighth Congress), are applicable; **[and]** (6) officers and members of the United States Park Police and the White House Police; and (7) *officers and employees of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives.*

SECTION 303 OF GOVERNMENT EMPLOYEES' INCENTIVE AWARDS ACT

SEC. 303. As used in this title, the term "department" means an executive department or independent agency in the executive branch of the Government, including a Government-owned or controlled corporation (but not including the Tennessee Valley Authority *or the Central Bank for Cooperatives*), and also includes (a) the Administrative Office of the United States Courts, (b) the Library of Congress, (c) the Botanic Garden, (d) the Government Printing Office, (e) the Office of the Architect of the Capitol, and (f) the municipal government of the District of Columbia.

SECTION 205(E) OF ANNUAL AND SICK LEAVE ACT OF 1951

(e) In the case of transfer of an officer or employee between positions under different leave systems (other than transfers involving positions exempted under section 202 (b) (1) (B), **[(C), or (H)]** (C), (H), or (I)), without a break in service, the annual and sick leave to the credit of such officer or employee shall be transferred to his credit in the employing agency on an adjusted basis in accordance with regulations to be prescribed by the Civil Service Commission.

SECTION 1 OF ACT OF DECEMBER 21, 1944, AS AMENDED BY SECTION 4(A) OF ACT OF JULY 2, 1953 (67 STAT. 137)

* * * * *

(third sentence only)

If such officer or employee is reemployed (other than in a position exempted from the Annual and Sick Leave Act of 1951 under section 202 (b) (1) (B), **[(C), or (H)]** (C), (H), or (I) of such Act) in the Federal service or in or under the government of the District of Columbia prior to the expiration of the period covered by such leave payment, he shall refund to the employing agency an amount equal to the compensation covering the period between the date of reemployment and the expiration of such leave period.

* * * * *

86TH CONGRESS
1ST SESSION

H. R. 6353

[Report No. 287]

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1959

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

APRIL 20, 1959

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Farm Credit Act of
4 1959".

5 TITLE I—FEDERAL LAND BANKS

6 SEC. 101. Section 3 of the Federal Farm Loan Act, as
7 amended, is amended—

8 (a) by changing the paragraph thereof relating to
9 the appointment of registrars, appraisers, and examiners
10 (12 U.S.C. 656) to read:

1 “The Farm Credit Administration shall appoint a farm
2 loan registrar for each farm credit district to receive appli-
3 cations for issues of farm loan bonds and to perform such
4 other services as are prescribed by this Act, and may appoint
5 a deputy registrar who shall during the unavoidable absence
6 or disability of the registrar perform the duties of that office.
7 It shall also appoint as many farm credit appraisers and farm
8 credit examiners as it shall deem necessary. Such farm loan
9 registrars, deputy registrars, farm credit appraisers, and farm
10 credit examiners shall have no connection with or interest in
11 any institution, association, or partnership engaged in banking
12 or in the business of making land mortgage loans or selling
13 land mortgages but they may perform such duties as are
14 authorized by the Farm Credit Administration in connection
15 with the business of the banks and associations it supervises:
16 *Provided*, That this limitation shall not apply to persons
17 employed by the Farm Credit Administration on a temporary
18 basis.”;

19 (b) by deleting the paragraph thereof relating to
20 the compensation of appraisers and inspectors (12
21 U.S.C. 658) ;

22 (c) by deleting the paragraph thereof relating to
23 the employment of certain personnel by the Farm Credit
24 Administration (12 U.S.C. 659) ; and

1 (d) by deleting the second sentence of the third
2 paragraph from the end thereof (12 U.S.C. 662).

3 SEC. 102. (a) The second paragraph of section 9 of
4 the Federal Farm Loan Act, as amended (12 U.S.C. 742),
5 is amended to read:

6 "Any person desiring to secure a loan through a Federal
7 land bank association under the provisions of this Act may,
8 at his option, borrow from the Federal land bank through
9 such association the sum necessary to pay for shares of
10 stock subscribed for by him in the Federal land bank
11 association. Any such sum for the purchase of stock shall
12 be made a part of the face amount of the loan and such sum
13 shall for all purposes be additional to the 65 per centum of
14 the normal value of the farm as specified in any provision
15 of this Act."

16 (b) Section 10 of the Federal Farm Loan Act, as
17 amended (12 U.S.C. 751-757), is amended to read:

18 "SEC. 10. (a) Whenever an application for a mortgage
19 loan is made to a Federal land bank association, the loan
20 committee provided for in section 7 of this Act shall cause to
21 be made such investigation as it may deem necessary as to
22 the character and solvency of the applicant and the sufficiency
23 of the security offered. When it appears that a loan may be
24 approved, the loan committee shall obtain a written report

1 on the security by an appraiser designated or appointed
2 by the Federal land bank of the district and such appraiser
3 shall investigate and make a written report upon the security
4 offered. Such appraisal, investigation, and report shall be
5 made in accordance with appraisal standards prescribed by
6 the Farm Credit Administration and may be made by any
7 competent person (including an employee of a Federal land
8 bank association) when designated for that purpose by the
9 Federal land bank of the district. The loan committee shall
10 cause a written report to be made of the results of such
11 investigations of the applicant and the security and shall, if
12 it concurs in such report, approve the same in writing.
13 After the loan committee has reached an agreement as to
14 the amount and terms of the loan which may be offered to
15 the applicant, if such amount is not in excess of 65 per
16 centum of the normal value of the security offered as de-
17 termined by said appraiser, the association may notify the
18 applicant of the amount and terms of the loan approved
19 by the loan committee: *Provided*, That any such notice shall
20 contain a statement that the amount and terms of the loan
21 offered to the applicant are subject to and conditioned upon
22 subsequent approval or disapproval by the Federal land
23 bank.

24 “(b) The written report of the loan committee and the
25 report made by an appraiser designated or appointed by the

1 Federal land bank shall be submitted to the Federal land
2 bank with the application for the loan, and the land bank
3 shall examine said reports when it passes on the loan appli-
4 cation which they accompany. No loan shall be made unless
5 the report of the loan committee and the report of the
6 appraiser are favorable.

7 “(c) All appraisal reports shall be made on forms
8 approved by the Farm Credit Administration.

9 “(d) No farm credit appraiser and no appraiser desig-
10 nated or appointed by a Federal land bank shall make any
11 appraisal in connection with a loan in which he is interested,
12 directly or indirectly. No member of a loan committee or of
13 a board of directors of a Federal land bank association shall
14 participate in the consideration of or action on any loan in
15 which he is interested, directly or indirectly.

16 “(e) Each Federal land bank shall conduct studies in
17 such manner and to such extent as the Farm Credit Adminis-
18 tration deems necessary in connection with the appraisal
19 standards prescribed for the district.

20 “(f) Notwithstanding the foregoing provisions of this
21 section—

22 “(1) appraisal reports made by appraisers hereto-
23 fore or hereafter appointed by the Farm Credit Adminis-
24 tration pursuant to section 3 of this Act may be used
25 as a basis for Federal land bank loans;

1 “(2) the Farm Credit Administration may, in its
2 discretion and in such circumstances and for such periods
3 as it deems necessary, direct that any or all appraisals
4 in connection with loans by any Federal land bank, or
5 appraisal standards studies required by subsection (e),
6 shall be made by farm credit appraisers appointed pur-
7 suant to section 3 of this Act; and

8 “(3) for purposes of paragraph (2) of this sub-
9 section, the Farm Credit Administration is authorized
10 to employ additional farm credit appraisers, including
11 such appraisers as it may select who have been designated
12 or appointed by a Federal land bank, and to require
13 that the salaries and other expenses of all such addi-
14 tional appraisers be paid by the Federal land bank
15 served by them in such manner as the Farm Credit
16 Administration shall determine.

17 “(g) Farm credit appraisers appointed pursuant to sec-
18 tion 3 of this Act shall make such reviews and investi-
19 gations as the Farm Credit Administration determines to
20 be necessary to assure compliance with the appraisal stand-
21 ards prescribed by it pursuant to subsection (a) of this
22 section; make such additional reviews and investigations
23 concerning the quality of first mortgages securing farm
24 loan bonds as the Farm Credit Administration shall direct;
25 and perform such other duties as may be prescribed by the

1 Farm Credit Administration. Any first mortgage which is
2 found not to conform to the appraisal and loan standards
3 prescribed by the Farm Credit Administration shall not be
4 credited toward meeting the amount of bond collateral which
5 a Federal land bank is required to maintain with a farm loan
6 registrar except in such amount as the Farm Credit Admin-
7 istration shall approve.”

8 SEC. 103. On the effective date of this title each land
9 bank appraiser shall be transferred from the Farm Credit
10 Administration to the Federal land bank served by him
11 immediately prior to said effective date, without reduction in
12 salary and accumulated leave, unless the Farm Credit Admin-
13 istration, in its discretion, determines that individual ap-
14 praisers shall be retained as farm credit appraisers. The
15 selection of personnel for transfer, or for retention as farm
16 credit appraisers, shall be without regard to section 12 of the
17 Veterans' Preference Act of 1944, as amended (5 U.S.C.
18 861). Land bank appraisers shall be subject to the same
19 employment conditions as other bank employees after transfer
20 under this section. At least sixty days prior to the effective
21 date of this title the Farm Credit Administration shall notify
22 each land bank appraiser that he is to be transferred to a
23 Federal land bank or that he is to be retained in the Farm
24 Credit Administration. Any land bank appraiser who notifies
25 the Farm Credit Administration in writing at least thirty

1 days before the effective date of this title that he does not
2 desire to accept employment as stated in the notice from the
3 Farm Credit Administration shall be separated from employ-
4 ment on said effective date and such separation shall be
5 deemed involuntary.

6 SEC. 104. (a) Section 12 of the Federal Farm Loan
7 Act, as amended (12 U.S.C. 771), is amended by (1)
8 changing the last proviso of paragraph "Second" thereof to
9 read: "*And provided further*, That any land bank may make
10 loans on an unamortized or partially amortized basis, under
11 rules and regulations issued by the Farm Credit Administra-
12 tion."; (2) striking out of paragraph "Seventh" thereof
13 "loans to any one borrower shall in no case exceed a maxi-
14 mum of \$200,000, but".

15 (b) Section 20 of the Federal Farm Loan Act, as
16 amended, is amended by deleting the second sentence thereof
17 (12 U.S.C. 861, second sentence) and by inserting the
18 following immediately before the period at the end of the
19 last sentence thereof (12 U.S.C. 864, last sentence): "
20 except that, with the approval of the Farm Credit Admin-
21 istration, an issue of bonds may be limited to bearer or
22 coupon bonds".

23 (c) The first and second sentences of section 23 of the
24 Federal Farm Loan Act, as amended (12 U.S.C. 901), are

1 amended by substituting "at the end of each fiscal year" for
2 "semiannually" therein.

3 (d) The first and second sentences of section 24 of the
4 Federal Farm Loan Act, as amended (12 U.S.C. 911), are
5 amended by substituting "at the end of each fiscal year" for
6 "semiannually" therein.

7 (e) The seventh paragraph of section 29 of the Federal
8 Farm Loan Act, as amended (12 U.S.C. 967), is amended
9 by changing "land bank appraiser" in the second and third
10 sentences thereof to "farm credit appraiser".

11 (f) Section 202 (c) of the Federal Farm Loan Act, as
12 amended (12 U.S.C. 1033), is amended by changing the
13 period at the end thereof to a comma and adding the fol-
14 lowing: "and any Federal intermediate credit bank may in
15 its discretion purchase such loans or discounts with or with-
16 out such endorsement."

17 (g) Section 208 (c) of the Federal Farm Loan Act, as
18 amended (12 U.S.C. 1093), is amended by changing "Land
19 bank appraisers" in the first sentence thereof to "Farm credit
20 appraisers".

21 (h) The Federal Farm Loan Act, as amended (12
22 U.S.C. 641 et seq.), and any other Act of Congress in which
23 the words appear, are amended by changing "national farm

1 loan association” and “national farm loan associations” to
2 “Federal land bank association” and “Federal land bank
3 associations”, respectively.

4 (i) The Federal Farm Loan Act, as amended (12
5 U.S.C. 641 et seq.), and any other Act of Congress in which
6 the words appear, are amended by changing “secretary-
7 treasurer” and “secretary-treasurers”, when used to mean
8 the secretary-treasurer of a national farm loan association
9 (herein renamed “Federal land bank association”), to “man-
10 ager” and “managers”, respectively.

11 (j) The first sentence of section 5 (d) of the Farm
12 Credit Act of 1953 (12 U.S.C. 636d (d)) is amended by
13 inserting immediately before the period at the end thereof
14 “: *Provided*, That the salary of not more than three positions
15 of deputy governor shall each be fixed by the Board at a
16 rate not exceeding \$17,500 per annum”.

17 (k) This title shall become effective December 31,
18 1959.

19 TITLE II—STATUS OF FARM CREDIT BANKS AND 20 EMPLOYEES

21 SEC. 201. Notwithstanding any other provision of law,
22 and in order to encourage and facilitate increased borrower
23 participation in the management and control of institutions
24 operating under the supervision of the Farm Credit Admin-
25 istration in accordance with the policy declared in section 2

1 of the Farm Credit Act of 1953 (12 U.S.C., supp. IV,
2 636a), section 6 of the Farm Credit Act of 1937, as amended
3 (12 U.S.C. 640l), is amended—

4 (a) by inserting “(a)” immediately following
5 “SEC. 6.”, by redesignating subsections “(a)” and
6 “(b)” as paragraphs “(1)” and “(2)”, respectively,
7 and by deleting subsection “(c)”;

8 (b) by adding the following at the end of para-
9 graph (1) of subsection (a) thereof (as redesignated
10 herein): “The employment, compensation, leave, retire-
11 ment (except as provided in subsection (e) hereof),
12 hours of duty, and all other conditions of employment of
13 such joint officers and employees employed by the dis-
14 trict farm credit board, and of separate officers and em-
15 ployees of the Federal land bank, Federal intermediate
16 credit bank, and bank for cooperatives of the district em-
17 ployed by the board of directors of such banks, shall be
18 determined by the respective boards without regard to
19 the laws from which exemption is granted in this sec-
20 tion, but all such determinations shall be consistent with
21 the laws under which such banks are organized and oper-
22 ate. Appointments, promotions, and separations so
23 made shall be based on merit and efficiency and no
24 political test or qualification shall be permitted or given
25 consideration. The district farm credit board shall,

1 under rules and regulations prescribed by the Farm
2 Credit Administration, provide for veterans' preference
3 and limitations against political activity for such officers
4 and employees substantially similar to the preference
5 and limitations to which such officers and employees
6 were subject upon enactment of this sentence.”; and

7 (c) by adding the following new subsections after
8 subsection (a) thereof (as redesignated herein) :

9 “(b) The provisions of section 1753 of the Revised
10 Statutes (5 U.S.C. 631) and the Act of January 16, 1883,
11 entitled ‘An Act to regulate and improve the civil service
12 of the United States’, as amended (22 Stat. 403; 5 U.S.C.
13 632 et seq.), any laws supplementary thereto, including
14 but not limited to the Act of August 24, 1912, as amended
15 (5 U.S.C. 652), section 1 of the Act of November 26, 1940,
16 as amended (5 U.S.C. 631a), and section 1310 of the Sup-
17 plemental Appropriation Act, 1952, as amended (5 U.S.C.
18 43, note), and any rules, orders, or regulations promulgated
19 for carrying such Acts or laws into effect, shall not apply
20 to a Federal land bank, Federal intermediate credit bank,
21 or bank for cooperatives, or to its directors, officers, or
22 employees.

23 “(c) The Federal Employees’ Compensation Act, as
24 amended (5 U.S.C., ch. 15), shall not be applicable in re-
25 spect to the injury, disability, or death of any employee of a

1 Federal land bank, Federal intermediate credit bank, or
2 bank for cooperatives unless such injury, disability, or death
3 (or cause thereof) occurred before January 1, 1960.

4 “(d) Section 9 of the Hatch Act, as amended (5 U.S.C.
5 118i), and the Veterans’ Preference Act of 1944, as amended
6 (5 U.S.C. 851–869), shall not be deemed to apply to a
7 Federal land bank, Federal intermediate credit bank, or bank
8 for cooperatives, or to its directors, officers, or employees.

9 “(e) Each officer and employee of a Federal land bank,
10 Federal intermediate credit bank, or bank for cooperatives
11 who, on December 31, 1959, is within the purview of the
12 Civil Service Retirement Act, as amended (5 U.S.C., supp.
13 IV, ch. 30), shall continue so during his continuance as an
14 officer or employee of any such banks without break in con-
15 tinuity of service. Any other officer or employee of such
16 banks and any other person entering upon employment with
17 any such banks after December 31, 1959, shall not be covered
18 under the civil service retirement system by reason of such
19 employment, except that (1) a person who, on December
20 31, 1959, is within the purview of the Civil Service Retire-
21 ment Act, as amended, and thereafter becomes an officer or
22 employee of any such banks without break in continuity of
23 service shall continue under the civil service retirement sys-
24 tem during his continuance as an officer or employee of any
25 such banks without break in continuity of service and (2) a

1 person who has been within the purview of said Act as an
2 officer or employee of such banks and, after a break in such
3 employment, again becomes an officer or employee of any
4 such banks may elect to continue under the civil service
5 retirement system during his continuance as such officer or
6 employee by so notifying the Civil Service Commission in
7 writing within thirty days after such reemployment.

8 “(f) In addition to such amounts as they are required
9 to contribute to the civil service retirement and disability
10 fund under section 4 (a) of the Civil Service Retirement Act,
11 as amended (5 U.S.C., supp. IV, 2254 (a)), each Federal
12 land bank, Federal intermediate credit bank, and bank for
13 cooperatives shall, for each fiscal year after June 30, 1960,
14 pay to the Farm Credit Administration to be covered into
15 the Treasury as miscellaneous receipts, its fair portion of the
16 cost of administration of said fund as determined in annual
17 billings by the Civil Service Commission.

18 “(g) Any Federal land bank, Federal intermediate
19 credit bank, or bank for cooperatives may, subject to the
20 approval of the Farm Credit Administration, establish a
21 retirement system for its officers and employees either sepa-
22 rately or jointly with any other corporation under the
23 supervision of the Farm Credit Administration. In deter-
24 mining eligibility for or the amount of any benefit under
25 any such retirement system, there shall not be taken into

1 account any service which is creditable under the Civil
2 Service Retirement Act, as amended, but service which
3 constitutes employment as defined in section 210 (a) of the
4 Social Security Act, as amended (42 U.S.C., supp. IV,
5 410 (a)), may be so taken into account notwithstanding
6 section 115 of the Social Security Amendments of 1954
7 (42 U.S.C., supp. IV, 410, note) or any other provision
8 of law.

9 “(h) Subsections (b), (c), (d), (e), (f), and (g)
10 of this section shall apply to the Central Bank for Coopera-
11 tives and its personnel and the board of directors of the
12 Central Bank for Cooperatives shall have all the authority
13 and responsibility with respect to personnel of such central
14 bank as is vested in the farm credit board of a district or
15 the board of directors of a district bank for cooperatives with
16 respect to personnel of any such district bank under sub-
17 section (a) (1) of this section.”

18 SEC. 202. (a) Section 210 (a) (6) (B) (ii) of title II
19 of the Social Security Act, as amended (42 U.S.C., supp.
20 IV, 410 (a) (6) (B) (ii)), and section 3121 (b) (6) (B)
21 (ii) of the Internal Revenue Code of 1954, as amended
22 (26 U.S.C., supp. IV, 3121 (b) (6) (B) (ii)), are each
23 amended by inserting “a Federal land bank, a Federal inter-
24 mediate credit bank, a bank for cooperatives,” immediately
25 before the words “a national farm loan association” therein.

1 (b) Section 2680 of title 28, United States Code, is
2 amended by adding at the end thereof the following new
3 subsection: “(n) Any claim arising from the activities of
4 a Federal land bank, a Federal intermediate credit bank,
5 or a bank for cooperatives.”.

6 (c) Section 102(b) of the Federal Employees Pay
7 Act of 1945, as amended (5 U.S.C. 902(b)), is amended
8 by striking out “and” immediately preceding “(6)” therein
9 and by inserting before the period at the end thereof “; and
10 (7) officers and employees of a Federal land bank, a Federal
11 intermediate credit bank, or a bank for cooperatives”.

12 (d) Section 303 of the Government Employees’ In-
13 centive Awards Act (5 U.S.C., supp. IV, 2122) is amended
14 by inserting within the parentheses after the words “the
15 Tennessee Valley Authority” the words “or the Central
16 Bank for Cooperatives”.

17 (e) Section 205(e) of the Annual and Sick Leave
18 Act of 1951, as added by section 4(b) of the Act of July 2,
19 1953 (5 U.S.C., supp. IV, 2064(e)), and section 1 of
20 the Act of December 21, 1944, as amended by section 4(a)
21 of the Act of July 2, 1953 (5 U.S.C., supp. IV, 61b),
22 are each amended by substituting “(C), (H), or (I)” for
23 “(C), or (H)” therein.

24 SEC. 203. (a) Nothing in this title shall be deemed
25 to amend, alter, repeal, or restrict the application of (1)

1 section 190 of the Revised Statutes (5 U.S.C. 99), relating
2 to the prosecution of claims against the United States by
3 former employees; (2) the Act of August 26, 1950 (5
4 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and
5 separation of employees for security reasons; (3) section
6 710 (e) of the Defense Production Act of 1950, as amended
7 (50 U.S.C., app., supp. IV, 2160 (e)), relating to the
8 authority of the President to provide for an executive reserve
9 training program; or (4) any Act of Congress the violation
10 of which is punishable by a fine or imprisonment, or both.

11 (b) Any Act of Congress enacted after the effective
12 date of this title and which states that it shall be applicable
13 to agencies or instrumentalities of the United States or to
14 corporations controlled or owned, in whole or in part, by
15 the United States, or to officers and employees of the United
16 States or such agencies or instrumentalities or corporations,
17 shall not be applicable to a Federal land bank, Federal inter-
18 mediate credit bank, or bank for cooperatives, or to its
19 directors, officers, or employees unless such Act specifically
20 so provides by naming such banks.

21 (c) This title shall become effective January 1, 1960.

86TH CONGRESS
1ST SESSION

H. R. 6353

[Report No. 287]

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

By Mr. COOLEY

APRIL 14, 1959

Referred to the Committee on Agriculture

APRIL 20, 1959

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

May 27, 1959

SENATE

12. FARM CREDIT. The Subcommittee on Agricultural Credit and Rural Electrification, of the Senate Agriculture and Forestry Committee, voted to report to the full committee with amendments (but did not actually report) S. 1512, to transfer the responsibility for making appraisals from the Farm Credit Administration to the Federal land banks; and S. 1513, to clarify the status of the Federal land banks. p. D401

ITEMS IN APPENDIX

13. RESEARCH. Rep. Aspinall commended and inserted Secretary of the Interior Seaton's address before the Sixth National Watershed Congress on the subject of conversion of saline and brackish waters to fresh water. pp. A4459-61
14. FARM PROGRAM. Rep. Tollefson inserted the results of a poll taken in his district, including the question as to whether or not the Government should continue its farm price support program. pp. A4461-2
15. BUDGET. Rep. Allen inserted an editorial, "Budget Busters," criticizing the housing legislation recently passed by Congress. p. A4465
16. WHEAT. Rep. Jackson inserted an article discussing the problems of a farmer who planted wheat in excess of his allotted quota. pp. A4466-7
Extension of remarks of Rep. McGovern discussing the "pileup of wheat surpluses," and stating that the 86th Congress will have failed a "crucial test of its responsibility" if it adjourns without constructive action to meet "this crisis in our largest and most essential industry." p. A4477
Extension of remarks of Rep. Levering inserting a constituent's letter offering suggestions for a method to dispose of surplus wheat. pp. A4471

BILLS INTRODUCED

17. LANDS. H. R. 7411 and H. R. 7412, by Rep. Dixon, to provide for the adjustment of the legislative jurisdiction exercised by the United States over land in the several States used for Federal purposes; to Government Operations Committee.
H. Con. Res. 189, by Rep. Chenoweth, declaring the sense of Congress on the depressed domestic mining and mineral industries affecting public and other lands; to Interior and Insular Affairs Committee.
18. RESEARCH. H. R. 7401, by Rep. Brooks, La., to provide that the National Bureau of Standards shall conduct a program of investigation, research, and survey to determine the practicability of the adoption by the United States of the metric system of weights and measures; to Science and Astronautics Committee.
19. INDUSTRIAL USES. H. R. 7402, by Rep. Flynn, to provide for the increased use of agricultural products for industrial purposes; to Agriculture Committee.
20. PERSONNEL. H. R. 7406, by Rep. Rogers, Colo., to amend the Civil Service Retirement Act, as amended, to provide annuities for surviving spouses without deduction from original annuities; to Post Office and Civil Service Committee.
21. RECREATION. H. R. 7407, by Rep. Saylor, to save and preserve, for the public use and benefit, a portion of the remaining undeveloped shoreline area of the United States; to Interior and Insular Affairs Committee.

COMMITTEE HEARINGS ANNOUNCEMENTS:

May 28: USDA appropriations, S. Appropriations (exec).

Amendment of laws in light of admission of Alaska as a state, H. Rules.

Establishment of Department of Science and Technology, S. Gov't Operations.

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Digest of CONGRESSIONAL PROCEEDINGS

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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For actions of June 3, 1959
86th-1st, No. 90

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HIGHLIGHTS: Senate passed agricultural appropriation bill. Both Houses agreed to conference report on Treasury-Post Office appropriation bill. Sen. Murray criticized Secretary's surplus food distribution policies. Senate committee voted to report bill to extend FHA authority for refinancing loans. Sens. Humphrey and Symington introduced and Sen. Humphrey discussed bill to transfer surplus food distribution activities to HEW.

SENATE

1. **AGRICULTURAL APPROPRIATION BILL, 1960.** Passed with amendments, 74 to 10, this bill, H. R. 7175 (pp. 8701-13).

Agreed to an amendment by Sen. Allott to provide that \$15,000 of the funds for AMS marketing services shall be available for range and feedlot market reporting in Colorado and adjacent areas (pp. 8701-2).

Agreed to a "clarifying amendment" by Sen. Russell to provide that the \$1 million for ARS to provide for additional labor to be employed under contracts and cooperative agreements to strengthen the work at research installations in the field may be used by ARS "in Departmental research programs" (p. 8704).

A point of order by Sen. Young, N. Dak., was sustained against an amendment by Sen. Douglas which would have provided that in carrying out the price support programs required by law no funds or stocks of CCC shall be utilized for the

purpose of carrying out price support operations for any crop planted after Jan. 1, 1960, for which expected production for such year exceed domestic consumption plus normal exports, plus set-asides required by law for national emergency purposes, by more than 3 percent, and for which the Secretary has failed to provide acreage allotments, production goals, and marketing practices pursuant to sec. 401 (c) of the Agricultural Act of 1949, as amended (pp. 8704-09).

Rejected, 37 to 48, an amendment by Sen. Williams, Del., to reduce from \$450 million to \$375 million the limitation on the conservation reserve authorization for payments to producers in any calendar year (pp. 8702-04).

Conferees were appointed (p. 8710). House conferees have not yet been appointed.

2. TREASURY-POST OFFICE APPROPRIATION BILL, 1960. Both Houses agreed to the conference report on this bill, H. R. 5805 (pp. 8715, 8739). This bill will now be sent to the President.

3. SURPLUS FOODS. Sen. Murray called attention to hearings to be held by the Agriculture and Forestry Committee on S. 1884, to transfer authority from this Department to HEW for the distribution of surplus commodities to the needy, criticized this Department's administration of the surplus food distribution program, and inserted the text of a letter from this Department opposing S. 661 to authorize CCC to process food commodities for donation purposes. pp. 8692-3

4. THE AGRICULTURE AND FORESTRY COMMITTEE voted to report (but did not actually report) the following bills: p. D428

~~S. 1941, without amendment, to extend sec. 17 of the Bankhead-Jones Farm Tenant Act for two years so as to permit real estate loans by FHA for re-financing farm debts.~~

~~S. 864, with amendment, to authorize this Department to dispose of animals infected or exposed to communicable diseases dangerous to livestock or poultry.~~

S. 1512, with amendment, to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks.

S. 1513, with amendment, to clarify the status of the Federal land banks, Federal intermediate credit banks, and banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the U. S. and its officers and employees.

S. 1521, with amendment, to provide for the removal of restrictions on use with respect to a tract of land in Cumberland Co., Tenn., formerly under the jurisdiction of FHA, which was conveyed to Tenn.

5. ALASKA. Passed with amendments S. 1541, to amend laws of the U. S. in light of the admission of Alaska into the Union (pp. 8715-21, 8737-8).

Agreed to an amendment by Sen. Gruening to clarify the conditions under which property utilized on functions curtailed by the Federal Government in Alaska may be transferred to the State. Sen. Gruening stated that the purpose of the amendment was to make clear that it provides "for the transfer of property, and not for the transfer of government functions." (pp. 8720-1).

Agreed to a motion by Sen. Jackson to substitute the language of the bill as passed for the text of a similar bill, H. R. 7120, as passed by the House. H. R. 7120 was then passed. S. 1541 was indefinitely postponed. (p. 8721).

6. BUDGET. Sen. Bridges inserted an editorial favoring his bill to require the President to submit a balanced budget. p. 8737

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued June 8, 1959

For actions of June 5, 1959

86th - 1st, No. 92

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HIGHLIGHTS: Senate committee reported Interior appropriation bill (includes Forest Service). To be debated today, June 8. Senate committee reported bill to extend authority for refinancing farm loans. House debated public works appropriation bill. House committee reported mutual security authorization bill.

SENATE

1. APPROPRAITIONS. The Appropriations Committee reported with amendments H. R. 5915, the Interior Department appropriation bill for fiscal year 1960, which includes Forest Service items (S. Rept. 345) (p. 8970). At the end of this Digest is a table showing the Forest Service items and excerpts from the committee report.

Agreed to a unanimous-consent agreement by Sen. Johnson to begin debate on this bill Mon., June 8, with debate on any amendment limited to 30 minutes, and debate on final passage limited to 2 hours. (p. 8985)

2. THE AGRICULTURE AND FORESTRY COMMITTEE reported the following bills: (p. 8970)

~~S. 1941, without amendment, to extend sec. 17 of the Bankhead-Jones Farm Tenant Act for two years so as to continue the authority of FHA to make real estate loans for refinancing farm debts (S. Rept. 347).~~

~~S. 864, with amendment, to authorize this Department to dispose of animals infected or exposed to communicable diseases dangerous to livestock or poultry (S. Rept. 351).~~

~~S. 1512, with amendment, to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks (S. Rept. 349).~~

~~S. 1518, with amendment, to clarify the status of the Federal land banks, Federal intermediate credit banks, and banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the U. S. and its officers and employees (S. Rept. 350).~~

~~S. 1521, with amendment, to provide for the removal of restrictions on use with respect to a tract of land in Cumberland, Co., Tenn., formerly under the jurisdiction of FHA, which was conveyed to Tenn. (S. Rept. 348).~~

3. FORESTRY. A subcommittee of the Labor and Public Welfare Committee voted to report (but did not actually report) with amendments S. 812, to establish a Youth Conservation Corps (p. D411). Sen. Humphrey inserted a Minn. Legislature resolution favoring enactment of this bill (p. 8970).

4. FEDERAL-STATE RELATIONS. Sen. Keating and others discussed problems of Federal - State relations, and Sen. Keating stated that he planned to introduce a resolution to create "a new Joint Committee of Congress on Federal-State Relations with jurisdiction to conduct a comprehensive study of the problems in this area." pp. 9018-28

5. FOREIGN AFFAIRS. Sen. Mundt inserted a speech by the director of the U. S. Information Agency, "Understanding: The One Sure Road to Peace," discussing "the role of the USIA in promoting cultural exchange." pp. 8980-1

6. EMPLOYMENT. Sen. Clark inserted a listing of areas of substantial labor surplus in May, and two articles discussing unemployment and the problem of inflation. pp. 8982-4

7. FOREIGN TRADE. Sen. Clark inserted an article, "Exports Gloom Held Too Thick," discussing the "decline in U. S. exports." p. 8984

8. ADJOURNED until Mon., June 8. p. 9028

HOUSE

9. PUBLIC WORKS APPROPRIATION BILL. Began debate on this bill, H. R. 7509 (pp. 9037-88, 9090-1). A summary of the projects covered in this bill as reported appears on pp. 9038-48. Rep. Anderson, Mont., commended the action of the Appropriations Committee "in repudiating the 'no new starts' reclamation policy of the administration," and Rep. Monagan termed this policy "unwise and unrealistic" (pp. 9060, 9087). Rep. Ullman urged restoration of funds for an Oregon transmission line which was shown to be "necessary" on the basis of a "comprehensive load study which was made by the local cooperative in cooperation with REA and BPA," and discussed a pending REA loan application (p. 9060). Rep. Weaver discussed a Nebraska flood control project which is partially the responsibility of SCS (p. 9063).

10. WHEAT. The Rules Committee formally reported a resolution for consideration of H. R. 7246, to revise acreage allotments and price supports for wheat. (See Digest 82, item 8, and Digest 81, item 24, for a summary of this bill. The Committee voted to report this resolution June 4.) p. 9096

FEDERAL LAND BANKS

JUNE 5, 1959.—Ordered to be printed

Mr. HOLLAND, from the Committee on Agriculture and Forestry,
submitted the following

R E P O R T

[To accompany S. 1512]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 1512) to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with amendments.

PRIMARY PURPOSE OF BILL

The primary purpose of the bill is to transfer from the Farm Credit Administration to the Federal land banks the responsibility for making appraisals of farm properties offered as security for land bank loans. Land bank appraisers who are not retained by the Farm Credit Administration as "farm credit appraisers," for purposes of establishing appraisal standards and general supervisory functions, would be transferred to the Federal land banks.

SHORT EXPLANATION OF BILL

The bill, with the committee amendments, would, effective December 31, 1959—

- (1) Transfer appraisal responsibility to the Federal land banks;
- (2) Repeal the statutory 5-percent interest rate limitation now applicable to farm loan bonds;
- (3) Repeal the \$200,000 maximum loan limit applicable to land bank loans (loans exceeding \$100,000 to continue to be subject to Farm Credit Administration approval);
- (4) Authorize the land banks to make loans on an unamortized or partially amortized basis;

(5) Provide that sums loaned to purchase capital stock in national farm loan associations may be over and above the present loan limit of 65 percent of the normal value of the farm mortgage;

(6) Change the names "national farm loan association" and "secretary-treasurer" of such association to "Federal land bank association" and "manager," respectively;

(7) Provide that the additions which the land banks and the associations now make to their reserve accounts from earnings shall be made annually rather than semiannually as required under existing law; and

(8) Permit exceptions from the requirement that all issues of farm loan bonds be exchangeable for registered bonds at the option of the holder.

COMMITTEE ACTION AND AMENDMENTS

The subcommittee to which this bill was referred by the committee conducted 2 days of hearings on the bill and S. 1513, another bill relative to the Farm Credit Administration. The witnesses were uniformly in favor of the bill, with minor exceptions which would be taken care of by the committee amendments to the satisfaction of the witnesses and the Farm Credit Administration. The bill was reported, without opposition, from subcommittee and from the full committee. The committee amendments, in addition to making minor technical corrections, would—

(1) Preserve the existing maximum interest rate of 6 percent on Federal land bank loans (by striking out secs. 4(a)(2) and 4(a)(4) of the bill as introduced);

(2) Strike out section 4(e) of the bill as introduced, which would have authorized the Farm Credit Administration to order consolidation of contiguous national farm loan associations (renamed Federal land bank associations by the bill);

(3) Strike out section 4(k) of the bill as introduced, which would have provided that production credit association loans bear interest rates as authorized by the Federal intermediate credit banks;

(4) Permit issues of farm loan bonds to be limited to bearer or coupon bonds with Farm Credit Administration approval (eliminating the necessity of preparing registered bonds when it appears that there will be no demand for them); and

(5) Permit the salary of up to three Deputy Governors of the Farm Credit Administration to be fixed at up to \$17,500 per annum.

With these amendments, the bill is identical in substance to H.R. 6353 as reported by the House Committee on Agriculture.

GENERAL BACKGROUND

This bill is one of a series of legislative proposals designed to carry out the congressional policy stated in the Farm Credit Act of 1953.

Section 2 of the Farm Credit Act of 1953 (Public Law 202, 83d Cong., approved Aug. 6, 1953) states that it is the policy of the Congress—

to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership of the

permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration.

That section also required the Federal Farm Credit Board established under the provisions of that act to make legislative recommendations for carrying that policy into effect, including means of increasing borrower participation in the ownership of the farm credit system to the end that the investment of the United States in the Federal intermediate credit banks, the production credit corporations, and the banks for cooperatives may be retired.

Pursuant to the obligation thus imposed on it by the 1953 act, the Federal Farm Credit Board made recommendations regarding legislation in a special report to the Congress on December 8, 1954 (S. Doc. 7, 84th Cong., 1st sess.). The recommendations in that report with respect to the banks for cooperatives and the Federal land banks were enacted in the Farm Credit Act of 1955 (Public Law 347, 84th Cong., approved August 11, 1955). The recommendations in the report with respect to the production credit corporations were considered in 1955 but the committee asked the Federal Board to give further study to the production credit corporations and the Federal intermediate credit banks and to make new recommendations with respect to these institutions. The recommendations made by the Federal Board pursuant to this request were enacted in the Farm Credit Act of 1956 (Public Law 809, 84th Cong., approved July 26, 1956). The bill herewith reported, together with S. 1513, which is also being reported by the committee, contain the remaining recommendations of the Federal Farm Credit Board for legislation deemed necessary to effectuate fully the policy of the 1953 act, to improve the efficiency of the lending service of the banks, and to clarify the application of certain Federal laws.

BACKGROUND—THE FARM CREDIT SYSTEM

The Farm Credit Administration is an independent agency in the executive branch of the U.S. Government. The agency consists of the Federal Farm Credit Board, the Governor, and other officers and employees appointed by the Governor. The Federal Farm Credit Board is a part-time, policymaking Board which consists of 13 members, 12 of whom are appointed by the President with the advice and consent of the Senate. In making the appointments, the President is required to receive and consider nominations by the various user groups in each farm credit district. The 13th member of the Board is designated by the Secretary of Agriculture as his representative on the Board.

The Farm Credit Administration supervises, examines, and coordinates the activities of the 37 banks and about 1,400 local associations which, together with the Farm Credit Administration, comprise the cooperative farm credit system. The Governor, under the general supervision and direction of the Federal Farm Credit Board, is responsible for the execution of the laws creating the powers, functions, and duties of the Farm Credit Administration. Expenses of the Farm Credit Administration are not paid from Treasury funds but are paid through assessments against the banks and associations of the system.

The United States is divided into 12 farm credit districts. There is in each district a Federal land bank, a Federal intermediate credit bank, and a bank for cooperatives. Each district has a farm credit board which also serves as the board of directors of each of the three banks. Each district board consists of seven members, two elected by the national farm loan associations, two elected by the production credit associations, one elected by the stockholders of the bank for cooperatives, and two appointed by the Governor of the Farm Credit Administration with the concurrence of the Federal Farm Credit Board. There is a central bank for cooperatives located in the District of Columbia, which has a separate board of directors.

BACKGROUND—THE FEDERAL LAND BANKS

The Federal land banks were established under the Federal Farm Loan Act of 1916. They provide farmers and ranchers with long-term credit on farm real estate. These loans are made through national farm loan associations, also organized under the 1916 act. Each borrower from a Federal land bank is required to become a member of the national farm loan association through which the loan is made. The borrower buys capital stock of the association in an amount equal to 5 percent of the face amount of the loan and the association is required to purchase an equal amount of stock in the Federal land bank of the district.

A Federal land bank loan must be secured by a first mortgage on the farm or ranch of the borrower and is repayable on an amortized basis in annual or semiannual installments. The amount of loans to any one borrower may not exceed \$200,000. In no event, however, may the amount loaned exceed 65 percent of the appraised normal value of the farm or ranch offered as security.

The loan funds of the Federal land banks are obtained chiefly through the sale of consolidated bonds to the investing public. Since the banks obtain their loan funds in this manner, interest on loans made in farmers varies with the cost of money.

At the outset, the Federal land banks were largely capitalized by the U.S. Government. The law provided for the automatic retirement of Government capital in the banks under specified conditions and most of the original capital had been retired by 1932. In that year, however, due to the generally depressed condition of agriculture and the inability of the banks to find a ready market for their bonds, \$125 million of Government capital was invested in the banks. Later, approximately \$189 million additional Government capital was invested in the banks to assist them in granting extensions and deferments on outstanding mortgage loans. By 1947, however, all of the Government capital in the Federal land banks had been repaid.

Farmer members own all the capital stock of each of the approximately 900 national farm loan associations and the associations, in turn, own all the stock of the Federal land banks. Thus, the Federal land bank system has been completely farmer owned since 1947. On December 31, 1958, the combined net worth of all Federal land banks and national farm loan associations was approximately \$475 million.

BACKGROUND—THE FEDERAL INTERMEDIATE CREDIT BANKS

The Federal intermediate credit banks were established under the Agricultural Credits Act of 1923. They were organized as banks of discount to provide a permanent and dependable source of funds for institutions making loans to farmers and ranchers. Although these banks served many privately capitalized financing institutions in the decade following their organization, they never served farmers effectively until the system of production credit associations was established in 1933. Up to that time, there were not enough primary lenders with sufficient capital to make funds available to individual farmers in anything like an adequate volume. The production credit associations were established to make the rediscounting services of the Federal intermediate credit banks available to every farmer in the United States who has a satisfactory basis for credit.

As a result of the growth and development of the production credit system, the major part of the credit business of the intermediate credit banks is now done with the production credit associations. The most recent figures for the system as a whole show that about 93 percent of the banks' average daily balances of loans and discounts outstanding were accounted for by the production credit associations. The banks also do business with a number of other financing institutions (called OFI's), principally State-chartered, privately capitalized, agricultural credit corporations and livestock loan companies.

The intermediate credit banks obtain their loan funds primarily from the sale of short-term consolidated debentures to the investing public. The interest and discount rates which the banks charge the production credit associations and the OFI's depend upon the rates of interest which the banks have to pay on their debentures.

The Federal intermediate credit banks were originally capitalized by the U.S. Government. They remained so until January 1, 1957, the effective date of the Farm Credit Act of 1956, at which time the Government's capital investment in the banks was \$87.4 million, composed of \$60 million of the original capital and \$27.4 million transferred from the production credit corporations which were merged with the intermediate credit banks by the provisions of that act. The 1956 act included provisions under which the banks are now being converted from Government to private ownership. On January 1, 1957, production credit associations were required to subscribe, in the aggregate, to 15 percent of the capital stock of the intermediate credit banks. All of this stock has now been paid for and a corresponding amount of Government capital in the banks has been retired. The balance of the Government capital, represented by preferred stock, will be retired over a reasonable period of years from earnings of the banks and eventually they will be owned entirely by the production credit associations. As of April 1, 1959, \$13.6 million of the \$92.2 million (\$87.4 million referred to above plus \$4.8 million invested since 1957) of Government capital in the intermediate credit banks had been retired. The combined net worth of the intermediate credit banks on December 31, 1958, was \$166 million.

BACKGROUND—THE PRODUCTION CREDIT ASSOCIATIONS

There are 495 production credit associations in the United States. Loans by the associations are usually on a budget basis for periods up to 1 year. Some loans for capital purposes are made for periods up to 5 years. Each borrower from a production credit association is required to own class B (voting) stock in the association in an amount equal to 5 percent of the amount of the loan. The loans are usually secured by chattel mortgages on crops or livestock but unsecured loans are made in appropriate cases.

The production credit associations provide credit to members at the lowest cost consistent with sound business practices. Interest rates vary among the associations. Since the associations obtain their loan funds by rediscounting farmers' notes with the Federal intermediate credit banks, interest rates are determined largely by the cost of money to those banks.

Initially, the production credit associations were capitalized almost entirely through the purchase of class A (nonvoting) stock by the Government. Over the years, farmers have also purchased substantial amounts of class A stock to increase the lending capacity of their associations and to retire Government capital. These purchases of class A stock were over and above the class B stock required to be owned in connection with each loan. Most associations have elected to devote their earnings to building their financial strength and, consequently, members have largely foregone returns on their stock investments. As capital investments by members grew and earnings of the associations accumulated, the Government capital in the associations has been gradually retired. This plan of operation has enabled the associations to retire all but \$4 million of the approximately \$90 million of Government capital invested in them and only 40 of the associations have any Government capital left. Member-owned capital stock of the 495 associations at December 31, 1958, amounted to \$131,980,000 and the combined net worth of all the associations on that date was approximately \$246 million.

BACKGROUND—THE BANKS FOR COOPERATIVES

The banks for cooperatives were organized under the Farm Credit Act of 1933. They make loans to farmers' marketing, purchasing, and service cooperatives. Three distinct types of loans are made: commodity, operating capital, and facility loans. Interest rates vary with the type of loan. Generally, the commodity loans carry the lowest interest rate, operating capital the next higher, and facility loans the highest rate.

The loan funds of the banks for cooperatives, other than those available from their capital and surplus, are obtained from the sale of consolidated debentures. As is the case with other banks of the system, interest rates charged by the banks for cooperatives depend, to a large extent, upon the rates they have to pay on their debentures.

The banks for cooperatives were capitalized by the United States out of the revolving fund from which the Federal Farm Board previously made loans to cooperatives under the Agricultural Marketing Act of 1929. As the credit service of these banks increased, capital stock subscriptions by the United States increased until they reached

\$178.5 million in 1945. This amount was reduced to \$150 million at the time of passage of the Farm Credit Act of 1955.

The Farm Credit Act of 1955 provided a plan for the systematic retirement over a period of years of the Government capital in the banks for cooperatives. This was to be made possible by the creation of permanent capital contributed by the users of the banks. From organization until January 1, 1956, the effective date of the 1955 act, borrowers from the banks for cooperatives were required to purchase capital stock of the banks equal to approximately 5 percent (a lower percentage in the case of commodity loans) of the amount of their loans. Upon repayment of the loan, borrowers had the right to have the stock retired and receive the proceeds either in cash or have them applied as a payment on the loan. Borrower capital built up in this manner could not be regarded as permanent.

Under the Farm Credit Act of 1955, borrowers from the banks for cooperatives are required to purchase class C (voting) stock in the banks in an amount related to the quarterly interest payments on their loans (from 10 to 25 percent as determined by the bank with the approval of the Farm Credit Administration). Also, the net earnings of the banks, after reserves, certain dividends, and franchise taxes are provided for, are required to be distributed in class C stock to the borrowing cooperatives. Class A (Government-owned) stock of the banks is required to be retired each year in an amount equal to the amount of class C stock issued for that year. Thus, funds from regular investments in class C stock by the borrowers and from net earnings of the banks are being used to retire Government capital.

As of June 30, 1958, the banks for cooperatives had retired \$15.2 million of Government capital since the Farm Credit Act of 1955 became effective on January 1, 1956. This reduced the amount of Government-owned stock in the banks to less than \$135 million compared with a peak of \$178.5 million in 1945 and \$150 million on January 1, 1956, when the 1955 act became effective. The combined net worth of the banks for cooperatives on December 31, 1958, was \$265.3 million.

ANALYSIS OF THE BILL

Farm credit appraisers (sec. 1)

Section 1 supplements section 2(b) of the bill, which transfers the major responsibility for appraisals to the Federal land banks and provides for appointment of appraisers by the banks. This section would amend section 3 of the Federal Farm Loan Act, which now authorizes the Farm Credit Administration to appoint all land bank appraisers, to restrict the Farm Credit Administration to the appointment of farm credit appraisers to perform those appraisal functions which, under the provisions of the bill, are to be retained by the Farm Credit Administration and such other duties as may be assigned to them from time to time by the Farm Credit Administration. The farm credit appraisers would establish appraisal standards and make reviews and investigations concerning compliance with those standards and the quality of first mortgages securing land bank bonds. This section also deletes certain provisions of existing law which are already obsolete or are made so under the provisions of the bill.

Addition to loan for stock purchase (sec. 2(a))

Section 2(a) would amend section 9 of the Federal Farm Loan Act, as amended, to provide that any additional sum loaned for the required purchase of national farm loan association stock may be over and above the present loan limit of 65 percent of the value of the farm mortgaged.

A borrower from a Federal land bank is required to subscribe for shares of stock in the national farm loan association through which the loan is made in an amount equal to 5 percent of the face amount of the loan. The law provides that the loan may include an amount necessary to pay for the required stock but the additional sum for the purchase of the stock must not permit the loan to exceed the limit of 65 percent of the normal value of the farm offered as security, a limit applicable generally to all land bank loans.

Farmers generally understand that they may borrow up to 65 percent of the normal value of their farms to meet their needs, but they often do not understand why the sum to purchase stock in the association must be deducted from the amount of the loan, particularly since the stock is required to be held by the association as collateral security for the repayment of the loan.

The amendment proposed in the bill would remove the basis for this misunderstanding on the part of farmers and eliminate a constant source of embarrassment to the banks and associations.

The slight increase in the amount loaned to 68.25 percent of the normal value would not affect the continued sound operation of the Federal land banks and national farm loan associations or the adequacy of the collateral pledged for bonds issued by the land banks.

Transfer of responsibility for making appraisals (sec. 2(b))

Section 2(b) would amend section 10 of the Federal Farm Loan Act, as amended, to make these important changes:

1. Appraisals for land bank loans would be made by appraisers appointed or designated by the banks, in accordance with appraisal standards prescribed by the Farm Credit Administration. All such appraisals must now be made by Federal appraisers, except those made by designees under the designee appraisal program authorized by the Farm Credit Act of 1955.

2. Any appraisal made by a bank designee would no longer need to be followed by a second appraisal by a Federal appraiser after the effective date of the bill.

3. Farm credit appraisers and appraisers for the land banks would no longer be ineligible for land bank loans, but would be prohibited from making any appraisal in connection with loans in which they are interested.

4. Federal land banks would conduct appraisal studies as required by the Farm Credit Administration.

5. The Farm Credit Administration would be authorized, in its discretion, to have any or all appraisals and appraisal standards studies made by farm credit appraisers in any district if that should be deemed necessary. Thus, the Farm Credit Administration would be authorized to withdraw the authority of a land bank to make appraisals and appraisal studies if it should appear advisable for the Farm Credit Administration to assume that responsibility again. This could be done as to all appraisals in a district or on a partial basis only.

6. Farm credit appraisers would make reviews and investigations regarding compliance with Farm Credit Administration standards with respect to appraisals and the quality of first mortgages securing Federal land bank bonds. Any first mortgage not meeting those standards would be eligible collateral for farm loan bonds only in such amount as the Administration might approve.

A general discussion of the existing situation and the purpose of this section is contained in the second, third, and fourth paragraphs of the letter from the Governor of the Farm Credit Administration, attached hereto.

Transfer of appraisers to land banks (sec. 3)

Section 3 of the bill provides for the transfer to the Federal land banks of about 230 appraisers now employed by the Farm Credit Administration. Some 36 other appraisers would be retained by the Farm Credit Administration to carry out appraisal responsibilities imposed upon it under the provisions of the bill. The Farm Credit Administration would have discretion in the selection of appraisers which it would retain and it is intended that both the selection of farm credit appraisers and the transfer of appraisers to the land banks would be without regard to other provisions of law relating to the transfer or separation of Federal employees. Section 12 of the Veterans' Preference Act is expressly mentioned because it is the only one of such provisions which appears to have any application to the situation covered by section 3 of the bill.

The accumulated annual and sick leave carried over from the preceding leave year by each appraiser would be credited to his leave account in the bank to which he is transferred. Each such appraiser would also be transferred at the salary rate current at the time of transfer but his salary thereafter would be subject to the salary regulations applicable to other bank employees, including any appropriate adjustments resulting from a change of duties.

Unamortized or partially amortized loans (sec. 4(a))

Section 4(a) would authorize the land banks to make loans on an amortized or partially amortized basis under rules and regulations issued by the Farm Credit Administration. Since the language of this section would clearly permit refinancing of outstanding loans on an unamortized or partially amortized basis, it is considered that the authority therein granted would also permit the banks to agree to repayment of existing loans on the same basis. Present law provides that the banks may make loans only under an amortization plan calling for a fixed number of annual or semiannual payments.

Generally, amortized loans are considered to be in the best interest of both borrower and lender. However, some land bank borrowers, after paying down their loans to a point, would prefer to use their income for farm improvement or other expenses.

Also, in some instances, older borrowers would prefer to have a certain amount of debt against their farms and to use the money for living expenses which would otherwise go to reduce the debt.

There are other farmers, some of whom are engaged in timber production, whose income during certain periods is insufficient to make both interest and regular installment payments on their loans.

Then there are still others who, like many business concerns, prefer to carry on their normal operations with a certain amount of mortgage indebtedness against the farm. The land banks could better serve the needs of all these farmers if they were authorized to make unamortized or partially amortized loans.

It is expected that the banks would use this authority only in special situations such as those described and they would not be permitted to do so in any case if there would likely be a deterioration in the security for the loan.

Furthermore, the authority of the banks to make unamortized or partially amortized loans would be subject to close supervision by the Farm Credit Administration under authority given in the bill specifically to issue rules and regulations relating to such loans.

Maximum loan limit (sec. 4(a))

Section 4(a) would also remove the \$200,000 maximum loan limit applicable to Federal land bank loans but would retain the present provision which requires Farm Credit Administration approval of any loan exceeding \$100,000.

With the increase in mechanization of agriculture, farms are becoming larger and the total investment per farm is also increasing.

Some farmers now need long-term loans in excess of \$200,000 particularly in timber-farming areas, and they would find the land bank loans with favorable interest rates and repayment terms helpful.

The proposed amendment would enable the land banks to serve the constantly increasing number of enlarged farms.

The experience of the land banks in making loans to operators of the larger farms generally has been favorable, since such farms usually are operated efficiently and the security is adequate. There is the further fact that the cost of servicing per \$100 is proportionately less on the larger loans, and expansion of the service of the banks to include more large operators should increase the earnings of the banks and thereby benefit all land bank borrowers.

Interest earned on many of the smaller loans is not sufficient to pay the cost of handling them. The larger loans help to carry many small loans in the \$1,000 to \$3,000 classification.

Removal of interest limitation on land bank bonds (sec. 4(b))

Section 4(b) would remove the 5-percent interest rate limitation which now applies to Federal land bank bonds. Since the banks obtain most of their loan funds through the sale of their bonds, this change will enable them to remain in a position to serve their real estate credit needs even if they should have to pay a higher rate than they are now permitted to pay.

From the spring of 1955 to the fall of 1957, the Federal land banks had to pay increasingly higher interest rates on successive issues of their bonds. The highest rate paid was on an issue sold for delivery on October 1, 1957, at a net cost to the banks of 4.89 percent. Interest rates then declined rapidly for a number of months but are now again showing a substantial increase. The most recent issue of Federal land bank bonds prior to the subcommittee hearings was sold on March 10, 1959, at a net cost of 4.39 percent for 9-year bonds.

If the cost of funds in the money market should exceed the 5-percent legal limit for Federal land bank bonds—and this appears to be a

distinct possibility—the land banks would not be able to sell their bonds to refund maturing issues or to obtain the necessary funds to meet farmers' demands for new loans. Consequently the 5-percent interest rate limit applicable to Federal land bank bonds should be removed. This change in the law will not result in farmers having to pay higher interest rates. It simply will enable the land banks to remain in a position to serve their real estate credit needs.

Section 4(b) would also authorize the land banks, with the approval of the Farm Credit Administration, to issue only bearer or coupon bonds. It is expected that this authority will be used only when it is anticipated that there will be no demand for registered bonds. Under present law, provision must be made for an estimated quantity of registered bonds and often, in the case of short-term issues, these bonds are not used. It is anticipated that registered bonds would, of course, be printed and available for all issues of long-term bonds.

Additions to reserves (sec. 4(c) and (d))

Section 4(c) would provide that additions which the land banks make to their reserve accounts from earnings shall be made annually rather than semiannually as required under present law. Section 4(d) contains a similar provision for the land bank associations. This would involve some saving in bookkeeping by the banks and associations.

Miscellaneous amendments (sec. 4(e), (f), (g), (h), (i), and (j) as those subsections are designated by committee amendment)

Sections 4(e) and 4(g) change provisions of law imposing additional duties upon land bank appraisers to provide that such duties shall be performed by farm credit appraisers. These changes are necessitated by the changes made by section 3 of the bill with respect to responsibilities for appraisals. Section 4(e) provides for the appointment of farm credit appraisers to act as conservators for land bank associations. Section 4(g) provides for farm credit appraisers performing certain duties in behalf of Federal intermediate credit banks.

Section 4(f) would make it clear that Federal intermediate credit banks may purchase certain loans from other credit banks with or without endorsement. Section 202(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1033), now provides that any Federal intermediate credit bank may sell, with or without its endorsement, loans which it has made to production credit associations or other financing institutions and agricultural paper which it has discounted for them. The addition now being made is to make clear that another Federal intermediate credit bank may purchase such loans and discounts with or without endorsement of the Federal intermediate credit bank which is selling them. The need for this clarification is due largely to the fact that the Governor formerly had authority to require a Federal intermediate credit bank to purchase loans and discounts from another such bank but this authority was repealed upon enactment of the Farm Credit Act of 1956. That repeal was not intended to prevent one bank from purchasing paper on the same basis that another bank is authorized to sell it. It seems appropriate to make this clear.

Sections 4(h) and 4(i) change the names of the national farm loan association to "Federal land bank associations" and the designation "secretary-treasurer" (of such associations) to "manager."

Although the Federal land banks have been making loans through local national farm loan associations for more than 40 years, there are many farmers who do not yet identify the associations as the source for loans of the Federal land bank system. The change in name of the associations will help correct this situation and result in improved public relations. The title "secretary-treasurer" for the person in charge of the association is outdated. Such a person is, in fact, the managing officer of the association and the title should be changed accordingly.

Section 4(j) would authorize the Federal Farm Credit Board to fix the salary of not more than three positions of Deputy Governor at a rate not exceeding \$17,500 per annum. It is intended that the three positions would be those of the Directors of the Land Bank Service, the Cooperative Bank Service, and the Short-Term Credit Services (intermediate and production credit), all of which are now also Deputy Governors. Salaries for these positions are not paid from Treasury funds, but from funds collected by assessment against the banks and associations of the system.

Effective date (sec. 5)

Section 5 would make the bill effective December 31, 1959.

DEPARTMENTAL VIEWS

The letter from the Farm Credit Administration requesting this legislation follows:

FARM CREDIT ADMINISTRATION,
Washington, D.C., March 13, 1959.

The Honorable the PRESIDENT OF THE SENATE,
U.S. Senate.

DEAR MR. PRESIDENT: There is enclosed a proposed bill entitled "A bill to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes."

The primary purpose of the proposed bill is to transfer from the Farm Credit Administration to the Federal land banks the responsibility for making appraisals of farm properties offered as security for land bank loans. A step in this direction was taken upon enactment of the Farm Credit Act of 1955 authorizing the so-called designee appraisal program of the land banks. Prior to enactment of the 1955 act, a Federal land bank could not make a loan until the security had been appraised by a land bank appraiser employed by the Farm Credit Administration, a Federal agency responsible for supervision of the Federal land bank system. Under the designee appraisal program authorized by the 1955 act, a bank, with the approval of the Farm Credit Administration, may make a loan on the basis of an appraisal by a person designated by the land bank for that purpose. Generally, the person so designated is secretary-treasurer of the local national farm loan association (renamed in the bill "manager" and "Federal land bank association," respectively). Loans so made may be used as collateral for farm loan bonds but a written report on the security by a land bank appraiser must be obtained within 1 year after the loan is made. Thereafter, the loan cannot be carried as bond collateral for more than 65 percent of the normal value of the security

as established by such land bank appraiser. Furthermore, any such loan may no longer be carried as bond collateral in any amount unless the report of the land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan.

Under the terms of the bill, the land banks would make loans on the basis of appraisals by persons appointed or designated by the banks for that purpose. The Farm Credit Administration, however, would continue to establish appraisal standards for land bank loans and review the work of the appraisers appointed or designated by a bank to the extent necessary to assure compliance with such standards. If the security for any loan did not meet the prescribed standards, the loan could not be credited as bond collateral except in such amount as the Farm Credit Administration might approve. The Farm Credit Administration would also be authorized to withdraw from a land bank responsibility for making appraisals and appraisal standards studies in any district where, for example, the bank fails to maintain the prescribed quality of appraisals. The bill would leave unchanged the provisions of existing law which limit land bank loans to 65 percent of the appraised normal value of the security for the loan.

The Federal land banks have been engaged in the farm loan business for more than 40 years. It is our belief that the banks have now gained enough experience in sound lending practices to assume the responsibility for making appraisals as a part of their management function. Thus, the proposed bill is another step toward complete implementation of the policy of the Farm Credit Act of 1953 to encourage and facilitate increased borrower participation in the management of the banks and local associations.

The bill also contains a few other amendments to farm credit laws, the most important of which would remove (i) the statutory 5- and 6-percent interest rate limitations now applicable to farm loan bonds and Federal land bank loans, respectively, and (ii) the \$200,000 maximum loan limit applicable to land bank loans.

The Federal land banks obtain most of their loan funds from the sale of consolidated farm loan bonds to the investing public. Before interest rates began to decline the latter part of 1957, interest rates on these bonds almost reached the legal limit of 5 percent. Although we have no reason to believe that interest rates will return to or exceed their 1957 level, it would seem prudent to guard against any possibility that the banks would not be able to sell their bonds to obtain the necessary funds to meet the credit requirements of farmers. Since the spread between what the banks have to pay for their loan funds and the interest rates they charge farmers must be sufficient to cover at least the cost of their funds and operating expenses, it is also necessary to remove the present 6-percent interest rate limit applicable to loans made by the land banks. The bill would not, however, disturb other provisions of law under which interest rates generally are subject to approval by the Farm Credit Administration.

The proposed removal of the \$200,000 limit on land bank loans to any one borrower is based on the desire of the banks also to serve the constantly increasing number of larger farms. With the increase in mechanization of agriculture, farms are becoming larger and the total investment per farm is constantly increasing. The banks are unable to serve many of these farms, particularly in timber farming

areas, because their credit requirements exceed the maximum loan limit. The bill would not, however, change the present provision of law under which loans exceeding \$100,000 must be approved by the Farm Credit Administration. While the experience of the land banks in making loans to large operators has been good, continued approval of loans exceeding \$100,000 by the Farm Credit Administration should afford adequate protection against any possible abuse of this authority. Also, the bill does not change the present requirement that no loan may exceed 65 percent of the normal appraised value of the farm offered as security.

Section 1 of the bill would amend section 3 of the Federal Farm loan Act to limit the authority of the Farm Credit Administration to the appointment of appraisers who would be called farm credit appraisers and whose primary responsibilities would be to establish appraisal standards, to determine compliance with those standards through review of the work of appraisers designated or appointed by the land banks, and to investigate the quality of first mortgages securing farm loan bonds. This section of the bill would also repeal certain obsolete provisions of the Federal Farm Loan Act.

Section 2 of the bill contains the principal provisions of the new appraisal plan. This section would amend section 10 of the Federal Farm Loan Act in the following important respects:

(1) The loan committee of the local Federal land bank association (as renamed), which makes a report on each loan application filed with the association, would obtain a report on the security by an appraiser designated or appointed by the land bank. Under present law, the loan committee utilizes a land bank appraiser appointed by the Farm Credit Administration or a person designated by the bank under a designee program approved by the Farm Credit Administration.

(2) The land bank would be authorized to make a loan on the basis of an appraisal by a person designated or appointed by the bank. Under present law, the appraisal must be made by a land bank appraiser or by a person designated by the bank under a designee program approved by the Farm Credit Administration. The present requirement under the designee program for a second appraisal by a land bank appraiser would no longer apply and, instead, there would be a review of appraisals by appraisers appointed by the Farm Credit Administration rather than a complete reappraisal in every case.

(3) Appraisers designated or appointed by the land bank would be required to make their appraisals in accordance with standards prescribed by the Farm Credit Administration. Thus, the Farm Credit Administration would establish standards to be followed by appraisers for the banks in the same way as it now establishes standards for land bank appraisers appointed by it.

(4) Each Federal land bank would be responsible for making such studies as are necessary to enable the Farm Credit Administration to establish appraisal standards for the district.

(5) The Farm Credit Administration would be authorized in its discretion to direct to require that any or all appraisals or appraisal standards studies be made by appraisers appointed by it under the authority of section 1 of the bill. If the Farm Credit Administration should impose such a requirement on any bank, it would be authorized to employ additional appraisers (including those designated or appointed by the banks) for that purpose and require the bank to pay the cost of such appraisers.

(6) Appraisers appointed by the Farm Credit Administration would be responsible for making reviews and investigations concerning compliance with appraisal standards and the quality of first mortgages securing farm loan bonds. Any first mortgage which did not conform to the appraisal and loan standards prescribed by the Farm Credit Administration would not be credited as collateral for bonds except in such amount as the Farm Credit Administration might approve.

Section 3 of the bill would provide for the transfer from the Farm Credit Administration to the banks of present land bank appraisers who are not selected as farm credit appraisers under the authority of section 1 of the bill. Thus, all land bank appraisers employed by the Farm Credit Administration on the effective date of the legislation would either be transferred to the bank of the district in which they are now assigned or they would be continued in the employment of the Farm Credit Administration as appraisers for work in connection with the supervisory responsibility of the Farm Credit Administration now under the new appraisal plan. However, any appraiser who elects not to accept employment with the Farm Credit Administration or the bank would be regarded as involuntarily separated from the Farm Credit Administration.

Section 4 of the bill contains several other amendments, most of which are of a minor nature. Subsection (a) would (i) authorize the land banks, subject to rules and regulations issued by the Farm Credit Administration, to make loans on an unamortized or partially amortized basis, (ii) remove the present \$200,000 limitation on land bank loans to any one borrower, and (iii) remove the 6-percent interest rate limitation applicable to land bank loans. Subsection (b) would also remove the 5-percent limitation applicable to interest rates paid on farm loan bonds issued by the land banks. The remaining provisions of section 4 contain either changes in name or perfecting and clarifying amendments considered necessary for effective administration of farm credit laws.

This submission has the approval of the Federal Farm Credit Board and early consideration and enactment of the proposed bill is recommended.

The Bureau of the Budget advises that there is no objection to the presentation of this proposal for the consideration of the Congress.

Very truly yours,

R. B. TOOTELL, *Governor.*

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

THE FEDERAL FARM LOAN ACT

SEC. 3. * * *

* * * * *

The Farm Credit Administration shall appoint a farm loan registrar **[in]** *for* each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint **[one or more land bank]** *as many farm credit* appraisers **[for each farm credit district]** and **[as many]** farm credit examiners as it shall deem necessary. **[Farm]** *Such farm* loan registrars, deputy registrars, **[land bank]** *farm credit* appraisers, and farm credit examiners **[appointed under this section shall be public officials and shall, during their continuance in office,]** *shall* have no connection with or interest in any **[other]** institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages *but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: Provided, That this limitation shall not apply to persons employed by the* **[administration temporarily to do special work]** *Farm Credit Administration on a temporary basis.*

[Federal land bank appraisers, and appraisers or inspectors of Federal intermediate credit banks, shall receive such compensation as the Farm Credit Administration shall fix and shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks they serve, in such proportion and in such manner as the Farm Credit Administration shall order.]

[The Farm Credit Administration shall be authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as it may deem necessary to conduct the business of said administration. All salaries and fees authorized in this section and not otherwise provided for shall be fixed in advance by said administration and shall be paid in the same manner as the salary of the Land Bank Commissioner. All such attorneys, experts, assistants, clerks, laborers, and other employees, and all registrars, examiners, and appraisers shall be appointed without regard to the provisions of the Act of January 16, 1883 (22 Stat., 403), and amendments thereto, or any rule or regulation made in pursuance thereof and may be classified without regard to the Classification Act of 1949: Provided, That nothing herein shall prevent the President from placing said employees in the classified service.]

* * * * *

The Farm Credit Administration shall from time to time require examinations and reports of condition of all land banks established under the provisions of this Act and shall publish consolidated statements of the results thereof. [It shall cause to be made appraisals of farm lands as provided by this Act, and shall prepare and publish amortization tables which shall be used by national farm loan associations and land banks organized under this Act.]

* * * * *

SEC. 9. * * *

* * * * *

Any person desiring to secure a loan through a [national farm loan] Federal land bank association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the [national farm loan] Federal land bank association[.]. Any such sum [to] for the purchase of stock shall be made a part of the face amount of the loan and [paid off in amortization payments: Provided, however, That such addition to the loan shall not be permitted to increase said loan above the limitation imposed in subsection fifth of section twelve] such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act.

* * * * *

SEC. 10. (a) Whenever an application for a mortgage loan is made to a [national farm-loan] Federal land bank association, the loan committee provided for in section 7 of this Act shall [forthwith make, or] cause to be made [,] such investigation as it may deem necessary as to the character and solvency of the applicant[,], and the sufficiency of the security offered. [The committee may request a report on the value of the security by a land bank appraiser appointed under the authority of section 3 of this Act, in which event such an appraiser shall investigate and make a written report to the association upon the security offered.] When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal, investigation, and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such [investigation or] investigations of the applicant and the security [as it has required to be made] and shall, if it concurs in such report, approve the same in writing. [No loan shall be made unless the report of the committee is favorable.] After [the investigation required in this paragraph has been made, the association has requested and received a report upon the value of the security by a land bank appraiser, and] the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser [the secretary-

treasurer], *the association* may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

(b) The written report [required in the preceding paragraph, together with any report made by a land bank appraiser,] *of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank* shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said [written report] *reports* when it passes on the loan application which [it accompanies, but it shall not be bound by the value placed upon the property by the loan committee] *they accompany*. *No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.*

[Before any mortgage loan is made by any Federal land bank, or joint-stock land bank, it shall refer the application to one or more of the land bank appraisers appointed under the authority of section 3 of this Act, and such appraiser or appraisers shall investigate and make a written report on the security offered for said loan: *Provided*, That if a land bank appraiser has made a report on said security to the national farm-loan association, the Federal land bank need not request an additional report. No such loan shall be made by said land bank unless the written report of the land bank appraiser is favorable.

[Forms for appraisal reports for farm loan associations and land banks shall be prescribed by the Farm Credit Administration.] (c) *All appraisal reports shall be made on forms approved by the Farm Credit Administration.*

[Land bank appraisers shall make such examinations and appraisals and conduct such investigations, concerning farm loan bonds and first mortgages, as the Farm Credit Administration shall direct.

[No borrower under this Act shall be eligible as an appraiser under this section, but borrowers may act as members of a loan committee in any case where they are not personally interested in the loan under consideration. When any member of a loan committee or of a board of directors is interested, directly or indirectly, in a loan, a majority of the board of directors of any national farm loan association shall appoint a substitute to act in his place in passing upon such loan.]

(d) *No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.*

[Notwithstanding any other provision of this Act to the contrary, subject to the approval of the Farm Credit Administration, the investigation and the written report or reports on the value of the security offered for a Federal land bank loan, which otherwise are required by this section to be made by land bank appraisers appointed under the authority of section 3 of this Act, may be made, in accordance with appraisal standards prescribed by the Farm Credit Administration, by any person (including a person who is secretary-treasurer of a national farm loan association) designated so to do by the Federal

land bank of the district; a Federal land bank is authorized to make a loan, if otherwise authorized, on the basis of such an investigation and report by a person so designated; and a loan so made shall be eligible as collateral for farm loan bonds under section 19 of this Act, if otherwise qualified thereunder: *Provided, That, within one year, the land bank shall obtain a written report on the security for the loan by a land bank appraiser appointed under section 3 of this Act, in terms and form prescribed by the Farm Credit Administration, and such a loan shall be eligible as collateral for farm loan bonds thereafter only if such report by a land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan, and in no event shall any such loan thereafter be carried as such collateral for bonds at more than 65 per centum of the normal value of the security as determined by such land bank appraiser. Except as otherwise specifically provided in this paragraph, all provisions of this Act relating to loans made through national farm loan associations shall, insofar as applicable, apply with respect to loans made on such investigations and written reports by such designated persons.*】

(e) *Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.*

(f) *Notwithstanding the foregoing provisions of this section—*

(1) *appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;*

(2) *the Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and*

(3) *for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.*

(g) *Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve.*

SEC. 12. * * *

* * * * *

Second. Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm-loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding, except with the approval of the Governor of the Farm Credit Administration, 1 per centum per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan, under the rules and regulations of the Farm Credit Administration: *And provided further*, That under the rules and regulations of the Farm Credit Administration any land bank may agree, at the time a loan is made or thereafter, that the mortgagor may make such payments or portions of payments in advance or pay the entire principal of such loan during the first five years the loan is in effect: **[And provided further**, That before the first issues of farm loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this Act.] *And provided further*, That any land bank may make loans on an unamortized or partially amortized basis, under rules and regulations issued by the Farm Credit Administration.

* * * * *

Seventh. The amount of **[loans to any one borrower shall in no case exceed a maximum of \$200,000, but]** loans to any one borrower shall not exceed \$100,000 unless approved by the Farm Credit Administration, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under.

* * * * *

SEC. 20. Bonds provided for in this Act shall be issued in such amounts, denominations, and bear such terms as the Farm Credit Administration may authorize; they shall have a specified maturity, but may, in addition, when stated in the bonds, be redeemable, at the option of the land bank, at an earlier specified date or dates. **[They shall bear a rate of interest not to exceed 5½ per centum per annum, but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per centum per annum.]**

* * * * *

In order to furnish farm loan bonds for delivery at the Federal land banks and joint stock land banks, the Secretary of the Treasury is authorized to prepare suitable bonds in such form, subject to the provisions of this Act, as the Farm Credit Administration may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the Farm Credit Administration. The en-

graved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the preparation, custody, and delivery of such farm loan bonds shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however, That the Secretary shall be reimbursed for such expenditures by the Farm Credit Administration through assessment upon the farm land banks in proportion to the work executed. They may be exchanged into registered bonds of any amount, and reexchanged into coupon bonds, at the option of the holder, under rules and regulations to be prescribed by the Farm Credit Administration, except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds.*

* * * * *

SEC. 23. Every Federal land bank shall [semiannually] *at the end of each fiscal year* carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto [semiannually] *at the end of each fiscal year* until said reserve account shall show a credit balance equal to 150 per centum of the outstanding capital stock of said land bank, and any land bank having a credit balance in said reserve account in excess of 150 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid.

* * * * *

SEC. 24. Every [national farm loan association] *Federal land bank association* shall, out of its net earnings, [semiannually] *at the end of each fiscal year* carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be [semiannually] *at the end of each fiscal year* added thereto until said reserve account shall show a credit balance equal to 50 per centum of the outstanding capital stock of said association, and any association having a credit balance in said reserve account in excess of 50 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration.

* * * * *

SEC. 29. * * *

* * * * *

Upon receiving satisfactory evidence that any [national farm loan association] *Federal land bank association* has failed to meet its outstanding obligations of any description, and that it will be to the best interests of its creditors and stockholders for the association to continue in business, the Farm Credit Administration may, in its discretion, in lieu of appointing a receiver as hereinabove in this section provided, appoint a conservator for such association and require of

him such bond and security as the Administration may deem proper. The person so appointed shall be a [land bank appraiser] *farm credit appraiser* appointed under the authority of section 3 of this Act: *Provided, however,* That the Farm Credit Administration may, in its discretion, appoint some other qualified person. Any [land bank appraiser] *farm credit appraiser* appointed as a conservator shall serve without any additional compensation. Any other person appointed as a conservator shall receive such compensation as the Farm Credit Administration may authorize. Such compensation and all necessary and proper expenses of any such conservatorship shall be paid out of the assets of such association and shall be a lien thereon which shall be prior to any other lien.

* * * * *

SEC. 202. * * *

* * * * *

(c) Loans, advances, or discounts made under this section shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not more than five years. Any Federal intermediate credit bank may in its discretion sell loans or discounts made under this section, with or without its endorsement[.], *and any Federal intermediate credit bank may in its discretion purchase such loans or discounts with or without such endorsement.*

* * * * *

SEC. 208. * * *

* * * * *

(c) [Land bank appraisers] *Farm credit appraisers* are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to investigate and make a written report upon the products covered by warehouse receipts or shipping documents, and the livestock covered by mortgages, which are security for notes or other such obligations representing any loan to any organization, under this title. Farm credit examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to examine and make a written report upon the condition of any organization, except national banks, to which the Federal intermediate credit bank contemplates making any such loan.

* * * * *

MISCELLANEOUS LAWS

The bill amends the Federal Farm Loan Act, and any other act of Congress in which the terms "national farm loan association" or "national farm loan associations" appear, to change those terms to "Federal land bank association" or "Federal land bank associations." The bill also amends the Federal Farm Loan Act, and any other act in which the words "secretary-treasurer" or "secretary-treasurers" are used to designate the secretary-treasurer of a national farm loan association, to change those terms to "manager" and "managers." Since it appears that no useful purpose would be served by setting out the various sections of the Federal Farm Loan Act and other acts in which these terms appear simply for the purpose of showing this change in their designation, that has not been done.

ACT OF AUGUST 6, 1953

AN ACT To increase farmer participation in ownership and control of the Federal Farm Credit System; to create a Federal Farm Credit Board; to abolish certain offices; to impose a franchise tax upon certain farm credit institutions; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE

SECTION 1. This Act may be cited as the "Farm Credit Act of 1953".

* * * * *

SEC. 5. * * *

* * * * *

(d) The Governor shall appoint such other personnel as may be necessary to carry out the functions, powers, and duties vested in the Farm Credit Administration: *Provided, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum.* The Farm Credit Administration shall consist of the Board, the Governor, and such other personnel as are employed in carrying out the functions, powers, and duties vested in the Farm Credit Administration. All functions, powers, and duties of the Farm Credit Administration, except those herein conferred upon the Board, shall be exercised and performed by the Governor and may be exercised and performed by him through such officers and employees of the Farm Credit Administration as he shall designate.

* * * * *





86TH CONGRESS
1ST SESSION

S. 1512

[Report No. 349]

IN THE SENATE OF THE UNITED STATES

MARCH 23, 1959

Mr. ELLENDER (for himself and Mr. AIKEN) (by request) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

JUNE 5, 1959

Reported by Mr. HOLLAND, with amendments

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 3 of the Federal Farm Loan Act, as amended,
4 is amended—

5 (a) by changing the paragraph thereof relating
6 to the appointment of registrars, appraisers, and ex-
7 aminers (12 U.S.C. 656) to read:

8 “The Farm Credit Administration shall appoint a farm
9 loan registrar for each farm credit district to receive appli-
10 cations for issues of farm loan bonds and to perform such

1 other services as are prescribed by this Act, and may appoint
2 a deputy registrar who shall during the unavoidable absence
3 or disability of the registrar perform the duties of that office.
4 It shall also appoint as many farm credit appraisers and farm
5 credit examiners as it shall deem necessary. Such farm
6 loan registrars, deputy registrars, farm credit appraisers, and
7 farm credit examiners shall have no connection with or in-
8 terest in any institution, association, or partnership engaged
9 in banking or in the business of making land mortgage loans
10 or selling land mortgages but they may perform such duties
11 as are authorized by the Farm Credit Administration in
12 connection with the business of the banks and associations it
13 supervises: *Provided*, That this limitation shall not apply
14 to persons employed by the Farm Credit Administration
15 on a temporary basis.”;

16 (b) by deleting the paragraph thereof relating to
17 the compensation of appraisers and inspectors (12
18 U.S.C. 658) ;

19 (c) by deleting the paragraph thereof relating to
20 the employment of certain personnel by the Farm Credit
21 Administration (12 U.S.C. 659) ; and

22 (d) by deleting the second sentence of the third
23 paragraph from the end thereof (12 U.S.C. 662) .

24 SEC. 2. (a) The second paragraph of section 9 of the

1 Federal Farm Loan Act, as amended (12 U.S.C. 742), is
2 amended to read:

3 “Any person desiring to secure a loan through a ~~national~~
4 ~~farm loan association~~ *Federal land bank association* under
5 the provisions of this Act may, at its option, borrow from
6 the Federal land bank through such association the sum
7 necessary to pay for shares of stock subscribed for by him
8 in the ~~national farm loan association~~ *Federal land bank*
9 *association*. Any such sum for the purchase of stock shall
10 be made a part of the face amount of the loan and such sum
11 shall for all purposes be additional to the 65 per centum
12 of the normal value of the farm as specified in any provi-
13 sion of this Act.”

14 (b) Section 10 of the Federal Farm Loan Act, as
15 amended (12 U.S.C. 751–757), is amended to read:

16 “SEC. 10. (a) Whenever an application for a mortgage
17 loan is made to a Federal land bank association, the loan
18 committee provided for in section 7 of this Act shall cause
19 to be made such investigation as it may deem necessary as
20 to the character and solvency of the applicant and the suffi-
21 ciency of the security offered. When it appears that a loan
22 may be approved, the loan committee shall obtain a written
23 report on the security by an appraiser designated or ap-
24 pointed by the Federal land bank of the district and such

1 appraiser shall investigate and make a written report upon
2 the security offered. Such appraisal investigation and report
3 shall be made in accordance with appraisal standards pre-
4 scribed by the Farm Credit Administration and may be made
5 by any competent person (including an employee of a Fed-
6 eral land bank association) when designated for that purpose
7 by the Federal land bank of the district. The loan committee
8 shall cause a written report to be made of the results of such
9 investigations of the applicant and the security and shall, if
10 it concurs in such report, approve the same in writing. After
11 the loan committee has reached an agreement as to the
12 amount and terms of the loan which may be offered to the
13 applicant, if such amount is not in excess of 65 per centum
14 of the normal value of the security offered as determined by
15 said appraiser, the association may notify the applicant of
16 the amount and terms of the loan approved by the loan com-
17 mittee: *Provided*, That any such notice shall contain a state-
18 ment that the amount and terms of the loan offered to the
19 applicant are subject to and conditioned upon subsequent ap-
20 proval or disapproval by the Federal land bank.

21 “(b) The written report of the loan committee and
22 the report made by an appraiser designated or appointed by
23 the Federal land bank shall be submitted to the Federal land
24 bank with the application for the loan, and the land bank
25 shall examine said reports when it passes on the loan appli-

1 cation which they accompany. No loan shall be made
2 unless the report of the loan committee and the report of
3 the appraiser are favorable.

4 “(c) All appraisal reports shall be made on forms
5 approved by the Farm Credit Administration.

6 “(d) No farm credit appraiser and no appraiser desig-
7 nated or appointed by a Federal land bank shall make any
8 appraisal in connection with a loan in which he is interested,
9 directly or indirectly. No member of a loan committee or
10 of a board of directors of a Federal land bank association
11 shall participate in the consideration of or action on any
12 loan in which he is interested, directly or indirectly.

13 “(e) Each Federal land bank shall conduct studies in
14 such manner and to such extent as the Farm Credit Admin-
15 istration deems necessary in connection with the appraisal
16 standards prescribed for the district.

17 “(f) Notwithstanding the foregoing provisions of this
18 section—

19 “(1) appraisal reports made by appraisers hereto-
20 fore or hereafter appointed by the Farm Credit Admin-
21 istration pursuant to section 3 of this Act may be used as
22 a basis for Federal land bank loans;

23 “(2) the Farm Credit Administration may, in its
24 discretion and in such circumstances and for such periods

1 as it deems necessary, direct that any or all appraisals
2 in connection with loans by any Federal land bank, or
3 appraisal standards studies required by subsection (e),
4 shall be made by farm credit appraisers appointed pur-
5 suant to section 3 of this Act; and

6 “(3) for purposes of paragraph (2) of this sub-
7 section, the Farm Credit Administration is authorized
8 to employ additional farm credit appraisers, including
9 such appraisers as it may select who have been desig-
10 nated or appointed by a Federal land bank, and to re-
11 quire that the salaries and other expenses of all such
12 additional appraisers be paid by the Federal land bank
13 served by them in such manner as the Farm Credit
14 Administration shall determine.

15 “(g) Farm credit appraisers appointed pursuant to sec-
16 tion 3 of this Act shall make such reviews and investigations
17 as the Farm Credit Administration determines to be neces-
18 sary to assure compliance with the appraisal standards pre-
19 scribed by it pursuant to subsection (a) of this section; make
20 such additional reviews and investigations concerning the
21 quality of first mortgages securing farm loan bonds as the
22 Farm Credit Administration shall direct; and perform such
23 other duties as may be prescribed by the Farm Credit Ad-
24 ministration. Any first mortgage which is found not to
25 conform to the appraisal and loan standards prescribed by

1 the Farm Credit Administration shall not be credited toward
2 meeting the amount of bond collateral which a Federal land
3 bank is required to maintain with a farm loan registrar except
4 in such amount as the Farm Credit Administration shall
5 approve.”

6 SEC. 3. On the effective date of this Act each land bank
7 appraiser shall be transferred from the Farm Credit Admin-
8 istration to the Federal land bank served by him immediately
9 prior to said effective date, without reduction in salary and
10 accumulated leave, unless the Farm Credit Administration,
11 in its discretion, determines that individual appraisers shall
12 be retained as farm credit appraisers. The selection of per-
13 sonnel for transfer, or for retention as farm credit appraisers,
14 shall be without regard to section 12 of the Veterans’ Pref-
15 erence Act of 1944, as amended. Land bank appraisers
16 shall be subject to the same employment conditions as other
17 bank employees after transfer under this section. At least
18 sixty days prior to the effective date of this Act the Farm
19 Credit Administration shall notify each land bank appraiser
20 that he is to be transferred to a Federal land bank or that
21 he is to be retained in the Farm Credit Administration.
22 Any land bank appraiser who notifies the Farm Credit Ad-
23 ministration in writing at least thirty days before the effective
24 date of this Act that he does not desire to accept employment
25 as stated in the notice from the Farm Credit Administration

1 shall be separated from employment on said effective date
2 and such separation shall be deemed involuntary.

3 SEC. 4. (a) Section 12 of the Federal Farm Loan Act,
4 as amended (12 U.S.C. 771), is amended by (1) changing
5 the last proviso of paragraph second thereof to read: "*And*
6 *provided further*, That any land bank may make loans on
7 an unamortized or partially amortized basis, under rules and
8 regulations issued by the Farm Credit Administration.";
9 (2) ~~deleting paragraph third thereof; (3)~~ striking out
10 of paragraph seventh thereof "~~Loans~~ *loans* to any one
11 borrower shall in no case exceed a maximum of
12 \$200,000, but"; ~~and (4) striking out of the first and second~~
13 ~~sentences of paragraph ninth thereof~~ "*a rate not exceeding*
14 *6 per centum per annum*" and inserting in lieu thereof "*a*
15 *rate approved by the Farm Credit Administration*".

16 (b) Section 20 of the Federal Farm Loan Act, as
17 amended ~~(12 U.S.C. 861)~~, is amended by deleting the
18 second sentence thereof (*12 U.S.C. 861, second sentence*)
19 *and by inserting the following immediately before the period*
20 *at the end of the last sentence thereof (12 U.S.C. 864, last*
21 *sentence): "*, except that, with the approval of the Farm
22 *Credit Administration, an issue of bonds may be limited*
23 *to bearer or coupon bonds"*.

24 (c) The first and second sentences of section 23 of the

1 Federal Farm Loan Act, as amended (12 U.S.C. 901),
2 are amended by substituting "at the end of each fiscal year"
3 for "semiannually" therein.

4 (d) The first and second sentences of section 24 of the
5 Federal Farm Loan Act, as amended (12 U.S.C. 911), are
6 amended by substituting "at the end of each fiscal year"
7 for "semiannually" therein.

8 ~~(e)~~ The fifth paragraph of section 29 of the Federal
9 Farm Loan Act, as amended ~~(12 U.S.C. 965)~~, is amended
10 to read: "No Federal land bank association or Federal land
11 bank shall go into voluntary liquidation without the written
12 consent of the Farm Credit Administration, but the Farm
13 Credit Administration may permit or by order effect the
14 merger or consolidation of two or more contiguous Federal
15 land bank associations subject to such terms, conditions, and
16 provisions as the Farm Credit Administration in its discre-
17 tion determines to be fair and equitable."

18 ~~(f)~~ (e) The seventh paragraph of section 29 of the Fed-
19 eral Farm Loan Act, as amended (12 U.S.C. 967), is
20 amended by changing "land bank appraiser" in the second
21 and third sentences thereof to "farm credit appraiser".

22 ~~(g)~~ (f) Section 202 (c) of the Federal Farm Loan Act,
23 as amended (12 U.S.C. 1033), is amended by changing the
24 period at the end thereof to a comma and adding the fol-

1 lowing: "and any Federal intermediate credit bank may in
2 its discretion purchase such loans or discounts with or with-
3 out such endorsement."

4 ~~(h)~~ (g) Section 208 (c) of the Federal Farm Loan Act,
5 as amended (12 U.S.C. 1093), is amended by changing
6 "Land bank appraisers" in the first sentence thereof to
7 "Farm credit appraisers".

8 ~~(i)~~ (h) The Federal Farm Loan Act, as amended (12
9 U.S.C. 641 and the following), and any other Act of Con-
10 gress in which the words appear, are amended by changing
11 "national farm loan association" and "national farm loan
12 associations" to "Federal land bank association" and "Fed-
13 eral land bank associations", respectively.

14 ~~(j)~~ (i) The Federal Farm Loan Act, as amended (12
15 U.S.C. 641 and the following), and any other Act of Con-
16 gress in which the words appear, are amended by changing
17 "secretary-treasurer" and "secretary-treasurers", when used
18 to mean the secretary-treasurer of a national farm loan asso-
19 ciation (herein renamed "Federal land bank association"),
20 to "manager" and "managers", respectively.

21 ~~(k)~~ Section 23 of the Farm Credit Act of 1933, as
22 amended (12 U.S.C. 1131g), is amended by inserting as
23 the second sentence thereof the following: "Such loans shall
24 bear such rates of interest as are authorized from time to
25 time by the Federal intermediate credit bank of the district."

1 (j) *The first sentence of section 5(d) of the Farm*
2 *Credit Act of 1953 (12 U.S.C. 636d(d)) is amended by*
3 *inserting immediately before the period at the end thereof*
4 *“: Provided, That the salary of not more than three positions*
5 *of deputy governor shall each be fixed by the Board at a*
6 *rate not exceeding \$17,500 per annum”.*

7 ~~(1)~~ SEC. 5. This Act shall become effective December
8 31, 1959.

[Report No. 349]

A BILL

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

By Mr. ELLENDER and Mr. AIKEN

MARCH 23, 1959

Read twice and referred to the Committee on
Agriculture and Forestry

JUNE 5, 1959

Reported with amendments

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of June 12, 1959
86th-1st, No. 97

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HIGHLIGHTS: House passed wheat bill. Conferees were appointed in both Houses. Senate concurred in House amendment to tobacco price support bill. House received conference report on Interior appropriation bill (includes FS). Senate passed bill to extend authority for refinancing farm loans. Senate passed over bill to provide for centennial celebration of establishment of USDA and land-grant colleges. Sens. Johnston and Neuberger and Rep. Morrison introduced and Sen. Johnston discussed Federal employee health bill.

SENATE

1. TOBACCO. Concurred in the House amendment to S. 1901, which provides that tobacco price supports shall be 90% of parity computed under the new or old formula, whichever is lower (pp. 9583-4). This bill will now be sent to the President. The House amendment limited to \$50,000 the total amount of CCC loans or purchases made to any person on the 1960 production of tobacco.
2. WHEAT. Sen. Humphrey commended the action of the House in passing S. 1968, the wheat bill, and expressed hope that Senate conferees will agree with the House action. pp. 9634-5
Sen. Proxmire inserted a newspaper article, "The State of Congress," commenting on the status of legislation, including the lack of agreement "on a wheat program, let alone a basic change in the disastrous farm program generally." p. 9576

3. ALASKA. Agreed to the House amendment to H. R. 7120, to amend certain laws of the U. S. in light of the admission of Alaska into the Union (p. 9575). This bill will now be sent to the President.
4. FARM LOANS. Passed without amendment S. 1941, to amend Sec. 17 of the Bankhead-Jones Farm Tenant Act so as to continue the authority of FHA to make real estate loans for refinancing farm debts for two years, until June 30, 1961. p. 9589
5. WATER UTILIZATION. Passed without amendment H. R. 1306, to amend the Columbia Basin Project Act so as to permit delivery of water for use by Washington State College for research purposes (pp. 9584-5). This bill will now be sent to the President.
6. POSTAL RATES. Passed without amendment H. R. 5212, to revise the minimum charge on pieces of mail of odd sizes and shapes (p. 9587). This bill will now be sent to the President.
7. ARCHEOLOGICAL DATA. Passed without amendment S. 1185, to provide for the preservation of historical and archeological data which might otherwise be lost as a result of the construction of a dam. p. 9592
8. CENTENNIAL CELEBRATION. Passed over, at the request of Sen. Engle, H. R. 4012, to provide for the centennial celebration of the establishment of the Department of Agriculture and the land-grant colleges and State universities. p. 9587
Sen. Wiley urged passage of this bill and inserted a statement on the purpose of the centennial observances. pp. 9577-8
9. MILITARY CONSTRUCTION. Passed over, at the request of Sen. Engle, H. R. 5674, to authorize construction at military installations, including the use of foreign currencies under Public Law 480 for foreign military housing. p. 9584
10. REORGANIZATION PLANS. Passed over, at the request of Sen. Engle, H. R. 5140, to amend the Reorganization Act of 1949 so as to extend the time in which the Act will apply to reorganization plans transmitted to Congress at any time before June 1, 1961. p. 9588
11. RESEARCH. Passed over, at the request of Sen. Engle, S. 864, to provide greater protection against the introduction and dissemination of diseases of livestock and poultry. p. 9589
12. FARM CREDIT. Passed over, ~~at the request of Sen. Engle, S. 1513, to clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable to officers and employees of the U. S.; and S. 1512 to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks.~~ p. 9589
13. APPROPRIATIONS. Passed over, at the request of Sen. Engle, S. 2094, to authorize appropriations for the Atomic Energy Commission. p. 9592
14. LAND. Passed as reported S. 1521, to provide for the removal of restrictions on use with respect to a tract of land in Cumberland Co., Tenn., formerly under the jurisdiction of FHA, which was conveyed to Tenn. pp. 9596

Commonwealth Parliamentary Association was considered and agreed to, as follows:

Resolved by the Senate (the House of Representatives concurring), That the Vice President and the Speaker of the House of Representatives are authorized to appoint four Members of the Senate and four Members of the House of Representatives, respectively, to attend the next general meeting of the Commonwealth Parliamentary Association, to be held in Australia at the invitation of the Australian branches of the Association, and to designate the chairmen of the delegations from each of the Houses to be present at such a meeting.

SEC. 2. The expenses incurred by the members of the delegations and staff appointed for the purpose of carrying out this concurrent resolution shall not exceed \$15,000 for each delegation and shall be paid from the contingent fund of the House of which they are Members, upon submission of vouchers approved by the chairman of the delegation of which they are members.

ATTENDANCE OF DELEGATION FROM SENATE TO MEETING OF COMMONWEALTH PARLIAMENTARY ASSOCIATION

The resolution (S. Res. 114) authorizing attendance of a delegation from the Senate at meeting of Commonwealth Parliamentary Association was considered and agreed to, as follows:

Resolved, That the Vice President is authorized to appoint four Members of the Senate as a delegation to attend the next general meeting of the Commonwealth Parliamentary Association, to be held in Australia at the invitation of the Australian branches of the Association, and to designate the chairman of said delegation.

SEC. 2. The expenses of the delegation including staff members designated by the chairman to assist said delegation shall not exceed \$15,000 and shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

ADDITIONAL PRINTING OF SENATE DOCUMENT NO. 22 OF THE 86TH CONGRESS ON LABOR-MANAGEMENT POLICIES

The resolution (S. Res. 122) to print additional copies of Senate Document No. 22 of the 86th Congress, on labor-management policies was considered and agreed to, as follows:

Resolved, That there be printed for the use of the Committee on Labor and Public Welfare 10,000 additional copies of Senate Document Numbered 22, 86th Congress, 1st session, entitled "A Collection of Excerpts and a Bibliography Relative to Labor-Management Policies Best Serving the People of the United States."

BILL PASSED OVER

The bill (H.R. 6319) to amend chapter 55 of title 38, United States Code, to establish safeguards relative to the accumulation and final disposition of certain benefits in the case of incompetent veterans was announced as next in order.

Mr. KEATING. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

BILL PASSED TO FOOT OF THE CALENDAR

The bill (S. 6) to provide for the conveyance of certain real property of the United States to Sophronia Smiley Delaney and her sons, was announced as next in order.

Mr. ENGLE. Mr. President, by request I ask that the bill be passed to the foot of the calendar.

The PRESIDING OFFICER. Without objection, the bill will be passed to the foot of the calendar.

EXTENSION OF SECTION 17 OF THE BANKHEAD-JONES FARM TENANT ACT FOR 2 YEARS

The bill (S. 1941) to extend section 17 of the Bankhead-Jones Farm Tenant Act for 2 years was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 17 of the Bankhead-Jones Farm Tenant Act, as amended, is amended by striking out "June 30, 1959" and inserting "June 30, 1961".

BILL PASSED TO THE FOOT OF THE CALENDAR

The bill (S. 1521) to provide for the removal of the restriction on use with respect to a certain tract of land in Cumberland County, Tenn., conveyed to the State of Tennessee in 1938, was announced as next in order.

Mr. ENGLE. Mr. President, by request I ask that the bill be passed to the foot of the calendar.

The PRESIDING OFFICER. Without objection, the bill will be placed at the foot of the calendar.

BILLS PASSED OVER

The bill (S. 1512) to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes, was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. ENGLE. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 1513) to clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees, and for other purposes, was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. ENGLE. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 864) to provide greater protection against the introduction and

dissemination of diseases of livestock and poultry, and for other purposes, was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. ENGLE. Mr. President, over by request.

The PRESIDING OFFICER. The bill will be passed over.

LUTHER M. CROCKETT

The bill (S. 854) for the relief of Luther M. Crockett was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Luther M. Crockett, Lieutenant, United States Navy, retired, Phoenix, Arizona, is hereby relieved of all liability for repayment to the United States of the sum of \$2,838, representing salary paid him in 1957 and 1958 while he was an employee of the Civil Aeronautics Administration, Department of Commerce, in violation of the Act of July 31, 1894 (28 Stat. 162), the said Luther M. Crockett having been erroneously advised by the Department of Commerce prior to his employment with such Department that such Act was not applicable to him.

SEC. 2. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the said Luther M. Crockett, the sum of any amounts received or withheld from him on account of the salary payments referred to in the first section of this Act.

MR. AND MRS. FRED A. FLETCHER

The bill (S. 917) for the relief of Mr. and Mrs. Fred A. Fletcher was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Mr. and Mrs. Fred A. Fletcher, of Forks, Washington, the sum of \$2,650.15, in full satisfaction of their claim against the United States for reimbursement of expenses incurred by them in connection with the eminent-domain proceedings instituted in 1940 by the United States for the purpose of acquiring their property, described in such proceeding as tract J-200, together with other parcels of land, for the Olympic public works project (P.W.A. 723 A and B), the United States having dismissed such tract from such proceedings after a verdict had been rendered in favor of the said Mr. and Mrs. Fred A. Fletcher in the amount of \$12,266.15: Provided, That no part of the amount appropriated in this act in excess of 10 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

CITY OF FORT MYERS, FLA., AND
LEE COUNTY, FLA.

The bill (S. 1330) to amend the act entitled "An act for the relief of the city of Fort Myers, Fla., and Lee County, Fla.," approved July 22, 1958, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (a) of the first session of the Act entitled "An Act for the relief of the city of Fort Myers, Florida, and Lee County, Florida", approved July 22, 1958 (72 Stat. 401), is amended by striking out "\$137,997.64" and inserting in lieu thereof "\$141,997.64".

SOFIA N. SARRIS

The bill (S. 1466) for the relief of Sofia N. Sarris was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a) (27) (A) and 205 of the Immigration and Nationality Act, the minor child, Sofia N. Sarris, shall be held and considered to be the natural-born alien child of Louis and his wife, Gladys Sarris, citizens of the United States: *Provided,* That no natural parent of the beneficiary, by virtue of such parentage, shall be accorded any right, privilege, or status under the Immigration and Nationality Act.

ADEODATO FRANCESCO PIAZZA
NICOLAI

The bill (S. 1611) for the relief of Adeodato Francesco Piazza Nicolai was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a) (27) (A) and 205 of the Immigration and Nationality Act, the minor child, Adeodato Francesco Piazza Nicolai, shall be held and considered to be the natural-born alien child of Antonio Nicolai and Teresa Jezierny Nicolai, citizens of the United States: *Provided,* That the natural parents of Adeodato Francesco Piazza Nicolai shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

COMPUTATION OF GOOD TIME
ALLOWANCES FOR PRISONERS

The bill (S. 1645) to amend section 4161 of title 18, United States Code, relating to computation of good time allowances for prisoners was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first paragraph of section 4161 of title 18, United States Code, is amended by striking out the words "to be credited as earned and computed monthly".

TAUFIC DEOUD GEBRAN AND HIS
WIFE

The Senate proceeded to consider the bill (S. 1320) for the relief of Taufic Deoud Debran (also known as Taufic G. Dawd) and his wife Hanne Elias Wehby Deoud, which had been reported from the Committee on the Judiciary, with amendments, on page 1, line 4, after the word "Act", to strike out "Taufic Deoud Gebran" and insert "Taufic Daoud-Gebran", and in line 6, after the name "Wehby", to strike out "Deoud" and insert "Daoud", so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Taufic Daoud-Gebran (also known as Taufic G. Dawd) and his wife, Hanne Elias Wehby Daoud, shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fees. Upon the granting of permanent residence to such aliens as provided for in this Act, the Secretary of State shall instruct the proper quota control officer to deduct the required numbers from the appropriate quota or quotas for the first year that such quota or quotas are available.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill for the relief of Taufic Daoud-Gebran (also known as Taufic G. Dawd) and his wife, Hanne Elias Wehby Daoud."

JIM B. HILL

The bill (H.R. 1471) for the relief of Jim B. Hill was considered, ordered to a third reading, read the third time, and passed.

GALVESTON, HOUSTON & HENDERSON
RAILROAD CO.

The bill (H.R. 1711) for the relief of the Galveston, Houston & Henderson Railroad Co., was considered, ordered to a third reading, read the third time, and passed.

LEONORA HOLMES MOLA

The bill (H.R. 2011) for the relief of Leonora Holmes Mola was considered, ordered to a third reading, read the third time, and passed.

JOHN F. CARMODY

The bill (H.R. 2100) for the relief of John F. Carmody was considered, ordered to a third reading, read the third time, and passed.

JOSEPH E. GALLANT

The bill (H.R. 2286) for the relief of Joseph E. Gallant was considered, ordered to a third reading, read the third time, and passed.

DR. GORDON D. HOOPLE, DR. DAVID
W. BREWER, AND ESTATE OF LATE
DR. IRL H. BLAISDELL

The bill (H.R. 3825) for the relief of Dr. Gordon D. Hoople, Dr. David W. Brewer and the estate of the late Dr. Irl H. Blaisdell was considered, ordered to a third reading, read the third time, and passed.

PATRICK W. GOWAN ET AL.

The bill (H.R. 3980) for the relief of Patrick W. Gowan, David Dooling, Harlie L. Mize, James H. Blaes, and William L. Perkins was considered, ordered to a third reading, read the third time, and passed.

WAIVING CERTAIN PROVISIONS OF
THE IMMIGRATION AND NATIONALITY ACT

The joint resolution (H.J. Res. 324) to waive certain provisions of section 212(a) of the Immigration and Nationality Act in behalf of certain aliens was considered, ordered to a third reading, read the third time, and passed.

AARON GREEN, JR.

The bill (H.R. 3522) for the relief of Aaron Green, Jr., was considered, ordered to a third reading, read the third time, and passed.

RESOLUTION PASSED OVER

The resolution (S. Res. 131), referring S. 882, a bill for the relief of the heirs of J. B. White, to the Court of Claims was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

Mr. KEATING. Mr. President, over, by request.

The PRESIDING OFFICER. The resolution will be passed over.

REVISION OF BOUNDARIES OF EDISON
LABORATORY NATIONAL
MONUMENT, NEW JERSEY

The bill (H.R. 318) to authorize a revision of the boundaries of the Edison Laboratory National Monument, New Jersey, and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

ACQUISITION OF ADDITIONAL
PROPERTY FOR INDEPENDENCE
NATIONAL HISTORICAL PARK

The bill (H.R. 2154) to authorize the Secretary of the Interior to acquire certain additional property to be included within the Independence National Historical Park was considered, ordered to a third reading, read the third time, and passed.

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OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued July 17, 1959
For actions of July 16, 1959
86th-1st, No. 119

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HIGHLIGHTS: Senate passed bills to: Make surplus cotton available to textile mills. Provide employee health insurance program. Sen. Mansfield criticized forest road financing policies. House committee reported bill to increase Federal travel per diem rates. Sen. Stennis introduced and discussed bill to establish Agricultural Policy Commission.

SENATE

- 1. COTTON; TEXTILES.** Passed without amendment S. 314, to direct the Secretary of Agriculture to make available to textile mills during the fiscal year 1960, and the four succeeding years, not less than 750,000 bales of surplus CCC cotton at such prices as he determines will allow the U. S. cotton textile industry to regain the level of exports of cotton products maintained by it during the period 1947 through 1952. pp. 12378-9
Sen. Talmadge expressed his concern over the importation of cotton textiles, and inserted the text of his letter to the Secretary urging favorable consideration of the petition filed by the National Cotton Council "to invoke the safeguards of section 22 of the Agricultural Adjustment Act against indiscriminate importation of foreign textile products." pp. 12324-5
- 2. PERSONNEL.** By a vote of 81 to 4, passed as reported S. 2162, to provide a health insurance program for Federal employees (pp. 12351-63). Sen. Johnston explained

the purpose of the bill as follows:

"The bill proposes an equal division of cost between Government and the employees. The total cost of the bill will be determined by the administering agency's prudence in arriving at contracts with the carriers that will give maximum benefits with a minimum of cost.

"The bill will give employees a choice of between two or possibly three plans, whichever might be best suited to the employee's individual needs.

"The bill provides a broad framework within which the Civil Service Commission can develop specific contracts for benefits.

"Employees in the executive, judicial, and legislative branches of the Federal Government would be eligible to enroll for themselves and members of their families, including children up to age 19."

3. FORESTRY. Sen. Mansfield criticized administration policies for the construction of forest roads and trails, contending there was "hidden spending" in such construction resulting from the practice that "When timber is offered for sale under terms which require that the purchaser build the main roads, plus the usual logging spurs, the price of the timber is reduced sufficiently to reflect these estimated costs." pp. 12323-4
4. RESEARCH. Passed as reported S. 864, to grant the Secretary authority to dispose of animals infected or exposed to communicable diseases dangerous to livestock or poultry. pp. 12379-80
5. INSECTICIDES, ETC. Passed as reported H. R. 6436, to amend the Federal Insecticide, Fungicide, and Rodenticide Act so as to include nematocides, plant regulators, defoliants, and desiccants. pp. 12380-1
6. FARM CREDIT. Passed with amendments S. 1512, to amend the Federal Farm Loan Act so as to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks. pp. 12370, 12373-8
7. VETERANS; FARM LOANS. Sen. Yarborough inserted an explanation of S. 1138, to provide for readjustment assistance to veterans who served in the Armed forces between Jan. 31, 1955, and July 1, 1963, which includes provisions authorizing loans to veterans to purchase farms and equipment, including farm homes, and payments for courses in on-farm training. pp. 12368-70
8. WHEAT. Sen. Carlson expressed his pleasure over the harvest of "a very good crop" of wheat, stating that "This is the first year in many years that we have not had a serious shortage of railroad cars for the movement of this grain." p. 12331
9. FOREIGN CURRENCIES. Sen. Fulbright inserted and discussed letters from the State Department expressing opposition to the use of foreign currencies by that Department for representation and travel purposes. pp. 12336-8
10. APPROPRIATIONS. Sen. Curtis urged enactment of legislation to authorize the President to reduce or eliminate amounts in appropriation bills by issuance of Executive orders on such items. pp. 12327-8
11. ADMINISTRATIVE PROCEDURE. Sen. Carroll announced that hearings will be held July 21-23 by the Subcommittee on Administrative Practice and Procedure of the Judiciary Committee on S. 2374, concerning standards of conduct in agency

The vocational rehabilitation training program provided by the bill is limited to veterans with service-connected disabilities. The eligibility period for this program covers both post-Korean veterans and veterans who first entered military service between the end of World War II and the beginning of the Korean conflict.

Applicable throughout the bill is a requirement that a veteran, to qualify for assistance, must have been discharged under conditions other than dishonorable.

Three major types of readjustment assistance, patterned closely after the forms of assistance provided under the GI bills for veterans of World War II and the Korean conflict, would be available to post-Korean veterans under the provisions of S. 1138. These are—

(1) Education and vocational training assistance.

(2) Vocational rehabilitation training for veterans with service-connected disabilities.

(3) Guarantee and direct loan assistance for the purchase of (a) homes, including homes on farms, and (b) farmlands, livestock, machinery, and so forth, to be used in farming operations conducted by the veterans.

EDUCATION AND VOCATIONAL TRAINING (SEC. 2)

Eligibility: To be eligible for educational or vocational training assistance the veteran must have served on active duty between January 31, 1955, and July 1, 1963, for a period of more than 180 days, and must have been discharged under conditions other than dishonorable. In the case of a veteran discharged from service for a disability incurred on active duty the length of his active duty service would not be a factor in establishing basic eligibility.

Length of education or training: The education or vocational training period would be calculated by multiplying $1\frac{1}{2}$ times each day of the veteran's active military service between January 31, 1955, and July 1, 1963, and with respect to a veteran on active duty on June 30, 1963, active military service after such date until his first discharge or release from active service succeeding such date. The maximum education or training period to which a veteran could become entitled is 36 months. In computing a veteran's period of active military service, for purposes of determining his period of education or training, there would be an exclusion of time spent in certain courses of education sponsored by the Armed Forces.

Kinds of training: Eligible veterans may use their educational entitlements to pursue the following kinds of training:

(1) School courses, both at college and below college level. These courses may be pursued full time, three-fourths time, one-half time, or less than one-half time.

(2) Cooperative courses, combining school and on-the-job training in alternating cycles. All cooperative courses must be pursued on full-time basis.

(3) Correspondence courses and flight training.

(4) On-the-job training: All job training must be pursued on full-time basis.

(5) Institutional on-farm training: All farm training courses must be on full-time basis.

Educational allowances: A monthly allowance, paid directly to the veteran by the Veterans' Administration, is the means by which the veteran is assisted in the pursuit of a program of education. For a full-time program in an educational institution, the education or training allowance would be as follows: For a veteran without dependents, \$110 a month; for a veteran with one dependent, \$135 a month; and for a veteran with more than one dependent, \$160 a month. Proportionate rates are fixed for allowances concerning less than full-time

courses, as well as on-the-job and on-the-farm training. From the education and training allowance, the veteran must meet all of the costs incident to his education—tuition, subsistence, books, supplies, fees, etc.

Expiration dates: Veterans must commence education or training under the bill within 3 years after their separation from service and complete their training within 8 years after separation; however, with respect to persons separated from service prior to the date of enactment of the bill, these delimiting periods respecting commencement of training shall begin with the date of enactment of the bill. All education or training ends on June 30, 1973, except that certain career personnel may use their educational entitlements beyond that date and the method of computing the 3- and 8-year delimiting periods in career cases is liberalized so that the last period of service from which they are measured may include brief interruptions in service.

VOCATIONAL REHABILITATION FOR DISABLED VETERANS (SEC. 3)

Eligibility: To be eligible for vocational rehabilitation training, a veteran must have need of such training, as determined by the Administrator of Veterans' Affairs, to overcome the handicap of a physical or mental disability rated at 10 percent or more of total disability. The disability must be a service-connected disability arising from active military service either between the end of World War II (July 25, 1947) and the beginning of the Korean conflict (June 27, 1950), or subsequent to the end of the Korean conflict (January 31, 1955). Disabilities rated as 30 percent or more enjoy a nonconclusive presumption that training is needed; in cases involving disabilities rated as less than 30 percent the veteran must clearly show that the disability has caused a "pronounced employment handicap." The general requirement for a discharge under conditions other than dishonorable would apply.

Length of training: The length of training is dependent upon the needs of the veteran. In general, the period is limited to 4 years; however, upon appropriate findings by the Administrator of Veterans' Affairs, additional time may be granted.

Kind of training: The veteran may enroll in an institution offering college training, in an institution below the college level, or in any other type of training which, in view of the Administrator of Veterans' Affairs, is designed to lead to the veteran's vocational rehabilitation.

Expiration dates: While there is no overall termination date with respect to the vocational rehabilitation program, there are dates beyond which individual veterans may not receive training. Generally veterans may not receive training more than 9 years after discharge or release from active military service. However, with respect to veterans who become eligible for vocational rehabilitation by virtue of the enactment of this bill, training may be afforded such persons until 9 years after the enactment of the bill or 9 years after discharge or release from service, whichever is later. In addition, in certain hardship situations, the generally applicable expiration dates would be extended for 4 years. The additional 4-year period would be accorded in cases where (1) severe disability prevents training; (2) subsequent changes in discharges provide eligibility for training; and (3) service-connected disabilities are not established in time to begin and complete training before the general expiration dates.

Subsistence: A vocational rehabilitation trainee would receive a minimum subsistence allowance of \$65 a month if he has no dependents, or \$90 a month if he has one or more dependents; a full-time institutional trainee would receive \$75 a month if he has no dependents, \$105 a month if he has one

dependent, and \$120 a month if he has more than one dependent. Operative along with these rates is the following "floor" on combined compensation under the veterans' disability laws and the subsistence allowance under this bill: Where the service-connected disability is less than 30 percent, the rate, if the veteran has no dependents, is \$105 a month, if he has one dependent, \$115 a month, plus \$10 for one child and \$7 for each additional child, and \$15 for a dependent parent. Where the disability is rated at 30 percent or more, the rates for the above classifications would be \$115, \$135, \$20 for one child and \$15 for each additional child, and \$15 for a dependent parent.

HOME AND FARM LOAN ASSISTANCE (SEC. 4)

General statement: This section would make post-Korean veterans eligible for Veterans' Administration guarantee loans and direct loans similar in type to those available to World War II and Korean veterans under existing law. There are, however, several notable distinctions between the proposed loans for post-Korean veterans and those already available to World War II and Korean veterans: First, the loan rights of post-Korean veterans would not extend to the business loans and insured loans which are available to World War II and Korean veterans under sections 1813, 1814, and 1815 of title 38 of the United States Code. Second, there would not be a "special" direct loan program for post-Korean veterans. Direct loans authorized by this bill for post-Korean veterans would be subject to the present direct loan laws under which no direct loan may be made after July 25, 1960. Third, unlike the loans available to Korean veterans, the proposed loans for post-Korean veterans would be subject to a guarantee fee in a sum not to exceed one-half of 1 percent of the amount of the loan. The guarantee fee is intended to be used in the accumulation of a reserve fund sufficient to cover any losses that might arise under the program, the goal being to make the post-Korean loan program altogether self-sustaining. The amount of the fee may be included in the loan to the veteran and paid from the proceeds thereof. The fee would be deposited in a mortgage guarantee fund which would be used by the Administrator of Veterans' Affairs to carry out the aforementioned purposes.

Eligibility: To be eligible under the loan provisions of the bill, a veteran must have served on active duty between January 31, 1955, and July 1, 1963, for a period of more than 180 days, and must have been discharged under conditions other than dishonorable. In the case of a veteran discharged from service for a disability incurred on active duty, the length of his active duty service would not be a factor in establishing basic eligibility. The widow of a deceased veteran whose death resulted from active service would also be eligible.

Purpose and conditions of loans: The loans are for the purpose of assisting eligible veterans to purchase (a) homes, including homes on farms, and (b) farmlands, livestock, machinery, and so forth, to be used in farming operations conducted by veterans. Banks or other lending institutions would make the loans, with the Government guaranteeing 60 percent of a loan for residential real estate, or 50 percent of other real estate loans. The Government's guarantee with respect to a real estate home loan could not exceed \$7,500, and with respect to other real estate loans could not exceed \$4,000, or a prorated portion thereof. Loans of both types, or combinations thereof, would be guaranteed with interest at the rate generally applicable under the loan program for World War II and Korean veterans. (Presently, the interest rate may not exceed $5\frac{1}{4}$ percent per annum.) The loans would have maturities of not more than 30 years; except in the case of farm realty the matur-

ities could be for 40 years. Under certain conditions, and in certain rural areas, the Veterans' Administration is authorized to lend up to \$13,500 directly to the veteran when private capital is not available for a guaranteed loan.

Expiration date: Loans may be guaranteed if made before July 1, 1973. If a loan report or application for loan guarantee is received by the Administrator of Veterans' Affairs before such date, an additional period not to exceed 1 year will be allowed for disbursement of the loan and issuance of evidence of guarantee.

EFFECTIVE DATE OF BILL

The provisions of the bill shall become effective immediately upon its enactment, except that the educational and vocational training provisions of section 2 shall become effective on September 1, 1959. Persons enrolled in courses of education on September 1 would be entitled to educational allowances from that date, although they could not receive payment until after enactment of the bill.

EXPLANATION OF COMMITTEE AMENDMENTS

The committee amendments to section 1912(c) and section 1913 of the proposed new chapter 40 to title 38 of the United States Code preserve the educational and vocational training entitlements of certain career personnel who continue in military service with breaks in service of 90 days or less. Under the amendments, these personnel may commence training within 3 years after their first separation from service which is not followed by a reenlistment or reentry in 90 days or less and may pursue education or training until 8 years after that separation.

The amendment to section 1970 of such proposed new chapter provides that the education and training program for post-Korean veterans will take effect September 1, 1959. If the bill does not become law prior to that date, retractive payments of education and training allowances are provided to eligible veterans for qualified education or training pursued by them on or after that date. In order that the Administrator may have sufficient authority to deal with the problems which may arise in some cases in making payments retroactively, he is authorized to prescribe regulations for making such payments.

Amendments to section 1908(a)(1)(C) of the proposed new chapter 40 to title 38, and the proposed new section 1818(a) to chapter 37 of such title, substitute, respectively, in the education and training and loan assistance program a requirement of a period of active duty of more than 180 days in place of the 90-day period specified in the bill as introduced. If the veteran was separated for a service-connected disability, the length of his service period would not be a factor in establishing basic eligibility for these programs.

The amendments to section 3 of the bill implement two recommendations made by the Administrator of Veterans' Affairs. They authorize vocational rehabilitation training for veterans needing it for a disability which arose during the period between July 25, 1947, and June 27, 1950—that is, between the end of World War II and the beginning of the Korean conflict. This section 3 amendments also provide a stricter standard of proof regarding need for vocational rehabilitation in the cases of veterans rated as less than 30 percent disabled. In these cases, the veteran will receive vocational rehabilitation only if there is a clear showing that his disability has caused a pronounced employment handicap.

An amendment to section 5 of the bill eliminates the provisions concerning mustering-out pay.

All other amendments are of a technical and clarifying nature.

Probable participation and total amounts of educational allowances by State under readjustment training program proposed by the Veterans' Readjustment Assistance Act of 1959 (S. 1138)

State	Total veteran population		Experience, World War II and Korean programs		Post-Korean veteran population		Participation and allowances for post-Korean veterans (1st 5 years only)	
	World War II ¹	Korean conflict	World War II veterans trained (Public Law 346)	Korean veterans trained (Public Law 550) through Jan. 31, 1959	In civil life Dec. 31, 1958 ²	Total expected from service period Feb. 1, 1955, through June 31, 1963 ³	Veterans expected to train ⁴	Amounts of educational allowances ⁵
Total.....	15,265,000	4,488,000	7,800,000	2,229,000	687,000	4,230,000	1,328,000	-----
Continental United States:								
Alabama.....	237,000	97,000	171,000	57,000	12,000	92,000	34,000	\$60,700,000
Alaska.....	9,000	3,000	6,000	1,000	1,000	3,000	800	600,000
Arizona.....	82,000	28,000	39,000	14,000	6,000	26,000	8,000	11,400,000
Arkansas.....	132,000	49,000	103,000	22,000	9,000	46,000	13,000	21,400,000
California.....	1,317,000	366,000	581,000	218,000	47,000	345,000	130,000	170,500,000
Colorado.....	157,000	39,000	87,000	26,000	6,000	37,000	16,000	22,300,000
Connecticut.....	217,000	59,000	88,000	28,000	11,000	55,000	17,000	19,200,000
Delaware.....	39,000	10,000	14,000	4,000	3,000	9,000	2,000	2,200,000
District of Columbia.....	95,000	22,000	99,000	28,000	4,000	22,000	17,000	27,700,000
Florida.....	367,000	112,000	171,000	61,000	13,000	106,000	36,000	49,300,000
Georgia.....	277,000	94,000	191,000	62,000	16,000	88,000	37,000	56,200,000
Idaho.....	54,000	18,000	33,000	8,000	3,000	16,000	5,000	7,300,000
Illinois.....	931,000	221,000	443,000	115,000	36,000	209,000	69,000	85,800,000
Indiana.....	402,000	113,000	161,000	47,000	18,000	107,000	28,000	37,400,000
Iowa.....	220,000	70,000	111,000	32,000	12,000	66,000	19,000	33,100,000
Kansas.....	177,000	57,000	88,000	23,000	8,000	54,000	14,000	17,900,000
Kentucky.....	235,000	85,000	114,000	33,000	11,000	80,000	19,000	27,900,000
Louisiana.....	228,000	68,000	156,000	44,000	13,000	64,000	26,000	45,600,000
Maine.....	79,000	29,000	39,000	8,000	5,000	28,000	5,000	6,500,000
Maryland.....	257,000	68,000	122,000	28,000	11,000	64,000	16,000	13,000,000
Massachusetts.....	477,000	138,000	246,000	72,000	23,000	130,000	43,000	50,200,000
Michigan.....	694,000	182,000	275,000	76,000	30,000	171,000	45,000	57,100,000
Minnesota.....	297,000	88,000	143,000	50,000	15,000	83,000	30,000	40,400,000
Mississippi.....	146,000	54,000	119,000	27,000	9,000	52,000	16,000	30,200,000
Missouri.....	374,000	118,000	228,000	59,000	17,000	107,000	35,000	51,600,000
Montana.....	58,000	18,000	29,000	8,000	2,000	17,000	5,000	6,900,000
Nebraska.....	116,000	42,000	66,000	22,000	7,000	39,000	13,000	22,300,000
Nevada.....	21,000	8,000	8,000	2,000	1,000	7,000	1,000	1,300,000
New Hampshire.....	55,000	18,000	23,000	6,000	2,000	16,000	4,000	5,000,000
New Jersey.....	565,000	142,000	210,000	51,000	20,000	134,000	30,000	29,800,000
New Mexico.....	60,000	21,000	37,000	12,000	3,000	20,000	7,000	10,800,000
New York.....	1,534,000	378,000	790,000	192,000	58,000	357,000	114,000	123,400,000
North Carolina.....	380,000	123,000	198,000	59,000	17,000	115,000	35,000	53,000,000
North Dakota.....	44,000	19,000	23,000	10,000	3,000	18,000	6,000	12,100,000
Ohio.....	867,000	217,000	383,000	90,000	34,000	205,000	54,000	59,900,000
Oklahoma.....	201,000	75,000	135,000	39,000	11,000	70,000	23,000	39,600,000
Oregon.....	168,000	42,000	77,000	20,000	7,000	39,000	12,000	16,200,000
Pennsylvania.....	1,118,000	314,000	588,000	134,000	44,000	296,000	80,000	101,600,000
Rhode Island.....	93,000	25,000	33,000	10,000	8,000	24,000	6,000	10,100,000
South Carolina.....	160,000	60,000	102,000	30,000	11,000	56,000	18,000	30,500,000
South Dakota.....	54,000	20,000	26,000	12,000	2,000	19,000	7,000	13,000,000
Tennessee.....	284,000	98,000	203,000	49,000	15,000	93,000	29,000	43,900,000
Texas.....	762,000	226,000	453,000	130,000	36,000	213,000	77,000	119,800,000
Utah.....	72,000	22,000	46,000	19,000	4,000	22,000	12,000	19,000,000
Vermont.....	29,000	12,000	16,000	4,000	2,000	11,000	2,000	3,000,000
Virginia.....	308,000	108,000	116,000	32,000	12,000	102,000	19,000	25,300,000
Washington.....	235,000	73,000	111,000	36,000	11,000	69,000	21,000	29,200,000
West Virginia.....	177,000	66,000	74,000	21,000	10,000	62,000	13,000	16,600,000
Wisconsin.....	312,000	94,000	132,000	40,000	18,000	88,000	24,000	35,500,000
Wyoming.....	26,000	8,000	14,000	3,000	1,000	7,000	2,000	3,200,000
Outside United States:								
Territories and possessions, total.....	94,000	69,000	60,000	40,000	13,000	65,000	29,000	79,700,000
Foreign, total.....	21,000	7,000	20,000	6,000	1,000	6,000	4,000	4,800,000

¹ Dec. 31, 1958.

² Estimate of post-Korean veterans in civil life on Dec. 31, 1958, based on 1-percent sample of separations from Armed Forces; does not provide for migration subsequent to separation. Data rounded to nearest thousand.

³ Total veterans expected from Feb. 1, 1955, through June 31, 1963, service period excludes persons expected to remain in the military service after end of 1st period of service which began during that time. Estimate of distribution by State is based on distribution of Korea veteran population.

⁴ State distribution of trainees expected in 1st 5 years is based on cumulative experience with Korean veterans.

⁵ State distribution of estimated educational and vocational training allowances for 1st 5 years is based on cumulative data for Korean veterans.

TRANSFER OF RESPONSIBILITY FOR MAKING APPRAISALS FROM THE FARM CREDIT ADMINISTRATION TO FEDERAL LAND BANKS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 342, Senate bill 1512.

The PRESIDING OFFICER. The bill will be stated by title, for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 1512) to amend the Federal Farm Loan Act to transfer responsibility for mak-

ing appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

There being no objection, the Senate proceeded to consider the bill (S. 1512) to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes, which had been reported from the Committee on Agriculture and Forestry with amendments.

germane to the provisions of the said bill shall be received.

Ordered further, That on the question of the final passage of the said bill debate shall be limited to 3 hours, to be equally divided and controlled, respectively, by the majority and minority leaders: *Provided*, That the said leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

Mr. JOHNSON of Texas. I want all Senators to be on notice that the veterans' bill, S. 1138, can be discussed this evening. We will determine later whether the Senate will meet tomorrow or not. There will be no votes on the bill until Tuesday, so all Senators will be on notice to that effect.

There are two farm bills which will come up for consideration after the Senator from Oregon [Mr. MORSE] has completed his discussion. I think the Senator from Florida [Mr. HOLLAND] desires to speak for 10 or 15 minutes. Does the Senator from Florida desire the yeas and nays on either of those bills?

Mr. HOLLAND. No.

Mr. JOHNSON of Texas. The senior Senator from Maine [Mrs. SMITH] has a bill she desires to have taken up. Does the Senator from Maine anticipate a yeas-and-nays vote on that bill?

Mrs. SMITH. No.

Mr. HOLLAND. I wish to make it clear that I have no objection to a yeas-and-nays vote.

Mr. JOHNSON of Texas. The Senator from South Dakota has always been cooperative. We will try to bring up, sometime after Tuesday, the bill in which he is interested. There will be no yeas-and-nays votes between now and Tuesday.

PERSONAL STATEMENT REGARDING MAJORITY LEADER

Mr. MORSE. Mr. President, I turn to a matter which I regret I find it necessary to discuss on the floor of the Senate. But, Mr. President, the people of my State are entitled to have this matter discussed. My friends and supporters in Oregon are entitled to have it a matter of record for future reference. Because my position is so completely misrepresented in the press generally in the State of Oregon, I find it necessary from time to time to use the CONGRESSIONAL RECORD to keep the record straight.

Mr. President, the National Democratic Committeeman from the State of Oregon, Mr. Girard C. Davidson, is in town. He came to me today with an unbelievable story, but nevertheless he came to me with a statement of fact as to what is being said about the senior Senator from Oregon in the State of Oregon in respect to the majority leader, the Senator from Texas [Mr. JOHNSON]. His statement was to the effect that the county chairmen of the Democratic Party in the State of Oregon have been urged to write to the majority leader and to invite him to come to Oregon to make a speech.

The national committeeman said that one of the reasons given for urging the Senator from Texas to come to Oregon

and to get the backing of the Democratic county chairmen of the State is that the senior Senator from Oregon had made the statement that if the Senator from Texas came to Oregon the senior Senator from Oregon would blast him.

Mr. President, I would like to treat this as humorous, but unfortunately it is a serious matter in my State, so I want to put the record straight.

In the first place, any statement by anyone that the senior Senator from Oregon, under any circumstances, anywhere, ever said to anyone that if the senior Senator from Texas came to Oregon the senior Senator from Oregon would blast him, is a complete falsehood, with no foundation of fact—the figment of someone's imagination.

Next I want to say, Mr. President, the record is perfectly clear. Earlier this year the senior Senator from Oregon went to the Senator from Texas and urged him to come to the State of Oregon. At that time the Young Democrats of the State of Oregon wanted a speaker for the annual convention of the Young Democrats in our State.

Mr. Merlyn Smith was the president; and as he would have to testify, and would be glad to testify if he were here, I said to Mr. Smith, "I think we should try to get LYNDON JOHNSON." He thought it was a grand idea. I made the suggestion to the Senator from Texas, who told me at the time I conversed with him that it has been suggested to him that he go to Salem, and that it had also been suggested that when he came to Salem he speak at a joint session of the State legislature. I said to the majority leader, "I think that would be wonderful. I would certainly welcome you to the State. The young Democrats would be glad to have you come." Good naturedly, I said, "It is a fund-raising banquet, and I do not know of anyone who could bring in the crowds and collect money for them better than the majority leader."

Mr. RANDOLPH. Mr. President, will the Senator yield?

Mr. MORSE. I shall be glad to yield in just a moment.

On another occasion I talked with the majority leader and made perfectly clear to him that I would welcome him at any time in the State of Oregon. I restate on the floor of the Senate what I have said to many people in my State when they have discussed with me what my position is to be in the 1960 campaign: "Let the record speak for itself. In 1954, when I was an independent, I campaigned all over the country, accepting many invitations sponsored by the National Democratic Committee, speaking in behalf of Democratic candidates for Congress. In the midst of the campaign in 1952, when I resigned from the Republican Party, I made many speeches in behalf of Democratic candidates for Congress, and the Democratic candidate for President. In 1956, even though I was myself a candidate, prior to the latter part of the campaign in my State, I campaigned in many other States in behalf of Democratic candidates, including the Democratic candidates for President and Vice President."

In 1958 I campaigned all over the country. I made two coast-to-coast trips under the auspices of the National Democratic Committee, in support of Democratic candidates. So when I am asked the question, "What do you propose to do in 1960?" I say, "I propose to speak twice as much as I have ever spoken before." It was said to me that in 1958 I made more speeches for Democratic candidates than did any other Member of the Senate who was not himself a candidate. Whatever the statistics are, I know that I made a great many speeches, and I am proud of having done so.

I have said in my own State that if the Democratic Party should nominate LYNDON JOHNSON for President of the United States in 1960, the senior Senator from Oregon will campaign from coast to coast in behalf of his candidacy.

I say that because I am at a complete loss to understand that falsehood that is being spread about the senior Senator from Oregon. But I am becoming used to that kind of falsehood, and when it raises its ugly head I intend to set the record straight. Let that be notice to those who spread the falsehood.

I now yield to the Senator from West Virginia.

Mr. RANDOLPH. Mr. President, I wish to thank the Senator from Oregon for two very effective campaign efforts which he made in the State of West Virginia last year, one at Fairmont and the other at Keyser. I believe that these speeches were very helpful to the cause of democracy in the Mountain State.

As the Senator has indicated, he welcomes our distinguished majority leader to Oregon now, as he indicates he has done in the past. I assure my colleagues that when our devoted leader, Senator LYNDON JOHNSON, of Texas, addressed more than 800 persons at a Democratic dinner in Welch in McDowell County, W. Va. in the campaign last fall, he not only helped us in the raising of necessary funds to carry forward our crusade for support of the electorate, but he quickened the pulses, stirred the hearts, and lifted to battle the hands of the people in our mountain domain. The results were much better for Senator ROBERT C. BYRD and myself because he gave vigorous and effective testimony of our party record.

Mr. MORSE. I thank the Senator from West Virginia for his comments.

Mr. President, I yield the floor.

TRANSFER OF RESPONSIBILITY FOR MAKING APPRAISALS FROM THE FARM CREDIT ADMINISTRATION TO FEDERAL LAND BANKS

The Senate resumed the consideration of the bill (S. 1512) to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

Mr. JOHNSON of Texas. Mr. President, I should like to propound a unanimous-consent request with respect to Calendar 342, Senate bill 1512.

I ask unanimous consent that during the further consideration of the bill, debate be limited to 10 minutes, the time to be equally divided and controlled, respectively by the majority and minority leaders.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

Mr. HOLLAND. Mr. President, I certainly will need a longer time than 10 minutes. I intend also to discuss Calendar No. 343, Senate bill 1513, which is a related bill, also. It is my intention to move to attach it as an amendment to the pending bill. I need time to discuss both bills. I should like to have 15 minutes.

Mr. JOHNSON of Texas. I modify my request to 15 minutes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

COTTON TEXTILE INDUSTRY'S EQUITABLE SHARE IN WORLD MARKET

Mr. JOHNSON of Texas. Mr. President, I give notice that the pending bill will be followed by Calendar No. 516, Senate bill 314, a bill to assist the U.S. cotton textile industry in regaining its equitable share of the world market.

Will the Senator from Maine indicate how much time she will need on that bill?

Mrs. SMITH. I do not believe I shall require any great length of time.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that during the consideration of Order No. 516, Senate bill 314, the time on any amendment, motion, or appeal, except a motion to lay on the table, shall be limited to 30 minutes, to be equally divided and controlled by the mover of any such amendment or motion and the majority leader, provided that in the event the majority leader is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him, provided further that no amendment that is not germane to the provisions of the said bill shall be received.

Further, that on the question of the final passage of the said bill debate shall be limited to 30 minutes, to be equally divided and controlled, respectively, by the majority and minority leaders, provided, that the said leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none, and it is so ordered.

TRANSFER OF RESPONSIBILITY FOR MAKING APPRAISALS FROM THE FARM CREDIT ADMINISTRATION TO FEDERAL LAND BANKS

The Senate resumed the consideration of the bill (S. 1512) to amend the Fed-

eral Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

Mr. HOLLAND. Mr. President, Senate bill 1512 is the pending business, and I shall address myself briefly to the contents of that bill.

The bill comes from the Committee on Agriculture and Forestry, and I believe it comes without any opposition from any member of the committee. It was introduced by the distinguished chairman of the committee [Mr. ELLENDER] and the distinguished ranking minority member of the committee [Mr. AIKEN], by request of the Farm Credit Administration.

This bill is designed to increase the autonomy and effectiveness of the Federal land banks.

The Federal land banks are part of the farm credit system which consists of, first, the Farm Credit Administration, the supervisory Federal agency; second, the Federal land banks and national farm loan associations, which together provide long term farm mortgage credit; third, the Federal intermediate credit banks and production credit associations, which together provide short term farm credit; and, fourth, the banks for cooperatives which provide credit for farmers' cooperatives.

There is one Federal land bank, one Federal intermediate credit bank, and one bank for cooperatives in each of the 12 farm credit districts, and in addition there is a central bank for cooperatives.

The Federal land banks have been entirely borrower-owned since 1947, all Federal money in those banks having been retired for that long, and it is the policy of Congress, expressed in the Farm Credit Act of 1953, to encourage borrower management and ownership of the entire system. This bill is directed toward that purpose.

Prior to the Farm Credit Act of 1955 all appraisals of farm properties offered as security for land bank loans were made by appraisers appointed by the supervisory agency, the Farm Credit Administration, rather than by the banks themselves. This, of course, is properly an operating function rather than a supervisory one, and a step toward local control was provided in the Farm Credit Act of 1955, which provided for appraisals by persons designated by the banks with the approval of the Administration. However, such appraisals by designees were subject to a subsequent report by appraisers appointed by the Administration. This bill now pending would take the further step of providing for appraisals by land bank employees in accordance with standards provided by the Administration. A subsequent report by an appraiser employed by the Administration would not be required. Authority to make appraisals could still be withdrawn from the banks by the Administration, if it should prove to be advisable.

This is the principal purpose of the bill. However, it also makes a number of other changes designed to strengthen the banks and make them more useful.

It would repeal the 5-percent limitation on interest payable by the banks

on farm loan bonds. This would assure the banks of the ability to obtain funds to carry out their operations. The banks would, of course, continue to seek financing at the lowest possible interest rate because they are entirely privately owned.

I may say, Mr. President, that the intermediate credit banks and the cooperative banks do not have the 5-percent limitation on interest payable on their bonds, and this would simply give to the land banks the same privilege already given to the other two groups of institutions mentioned.

The \$200,000 limit on land bank loans would be removed, enabling the banks to provide a needed service, which is profitable to the banks and helps them carry the smaller loans on which servicing costs are proportionately higher.

The bill would permit the banks to make loans on an unamortized or partially amortized basis. This would improve the service in certain cases, particularly where income from the mortgaged property may be deferred as in the case of forestry loans.

Two provisions of the bill are designed to remove minor sources of misunderstanding. One would permit the amount loaned to purchase stock in national farm loan associations to be over and above the present loan limit of 65 percent of the normal value of the farm mortgaged. The fact that this amount must now be included in the 65 percent is often difficult to explain to borrowers. The other provision designed to remove misunderstanding would change the name of the national farm loan associations to Federal land bank associations. Although these associations have been operating for many years, farmers frequently do not connect them with the land banks. The principal officers of these associations would be called "managers" under the bill, instead of "secretary treasurers".

The bill also has two provisions designed to save expense. One would enable the land banks and associations to make additions to their reserve accounts annually instead of semiannually. The other would relieve the banks of the expense of preparing registered bonds, when it appears that there will be no demand for them.

Finally, the bill authorizes the salary of up to three Deputy Governors of the Administration to be fixed at up to \$17,500 per annum. These positions are now classified to GS-16, the salary range of which is \$14,190 to \$15,150. The expenses of the Administration are paid out of funds collected from the units supervised by it.

Mr. President, this does not have to do with the raising of salaries of anybody paid by Federal money; but, to the contrary, as just stated, it is paid out of funds collected from the units supervised by the Administration, and simply allows the Deputy Governors who preside over the three great branches of the farm credit system to have salaries commensurate with their responsibilities and in some instances commensurate with those of officials serving the local institutions.

The committee amendments, in addition to making minor technical corrections, would—

(1) Preserve the existing maximum interest rate of 6 percent on Federal land bank loans;

(2) Strike out section 4(e) of the bill as introduced, which would have authorized the Farm Credit Administration to order consolidation of contiguous national farm loan associations—renamed Federal land bank associations by the bill.

Mr. President, on this matter the sole intent was to allow the consolidation of associations serving contiguous areas when one of them was not carrying a large enough volume of business to be profitable, but it was misunderstood in some quarters; and, therefore, the Farm Credit Administration itself asked for the elimination of that proposal.

I may add, Mr. President, that this whole program was discussed not only in each of the 12 districts but was discussed in general meetings of associations and of other units of the Farm Credit Administration in every part of the land, and it certainly is well known and has been highly publicized to the hundreds of thousands of farmers who constitute the members and the owners of these various institutions.

I yield to the Senator from Vermont.

Mr. AIKEN. Mr. President, this proposed legislation was studied very carefully by the subcommittee of the Committee on Agriculture under the leadership of the Senator from Florida, who did an excellent job. So far as I know, it has the full support of all people affected by it. There was no opposition to it received; that is, there was no criticism of it which was not corrected in the bill which is now before the Senate with amendments. I simply want to endorse it and to ask approval by the Senate of both this bill and the one scheduled to follow it, S. 1513, because the very same arguments apply in favor of them.

Mr. HOLLAND. I thank the Senator from Vermont, whose fine services to agriculture are well-known from one end of this country to the other.

The next amendment is:

(3) Strike out section 4(k) of the bill as introduced, which would have provided that production credit association loans bear interest rates as authorized by the Federal intermediate credit banks;

(4) Permit issues of farm loan bonds to be limited to bearer or coupon bonds with Farm Credit Administration approval (eliminating the necessity of preparing registered bonds when it appears that there will be no demand for them); and

(5) Permit the salary of up to three Deputy Governors of the Farm Credit Administration to be fixed at up to \$17,500 per annum.

Mr. President, I ask that the committee amendments be agreed to en bloc.

The PRESIDING OFFICER (Mr. MANSFIELD in the chair). Is there objection to the request of the Senator from Florida? The Chair hears none; and, without objection, the committee amendments are agreed to en bloc.

The committee amendments agreed to en bloc are as follows:

On page 3, line 3, after the word "a", to strike out "national farm loan association"

and insert "Federal land bank association"; in line 8, after the word "the", to strike out "national farm loan association" and insert "Federal land bank association"; on page 8, line 9, after "(2)", to strike out "deleting paragraph third thereof; (3)"; in line 10, after the word "thereof", to strike out "Loans" and insert "loans"; in line 12, after the word "but", to strike out the semicolon and "and (4) striking out of the first and second sentences of paragraph ninth thereof 'a rate not exceeding 6 per centum per annum' and inserting in lieu thereof 'a rate approved by the Farm Credit Administration'"; in line 17, after the word "amended", to strike out "(12 U.S.C. 861)"; in line 18, after the word "thereof", to insert "(12 U.S.C. 861, second sentence) and by inserting the following immediately before the period at the end of the last sentence thereof (12 U.S.C. 864, last sentence): 'except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds'"; on page 9, after line 7, to strike out: "(e) The fifth paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 965), is amended to read: 'No Federal land bank association or Federal land bank shall go into voluntary liquidation without the written consent of the Farm Credit Administration, but the Farm Credit Administration may permit or by order effect the merger or consolidation of two or more contiguous Federal land bank associations subject to such terms, conditions, and provisions as the Farm Credit Administration in its discretion determines to be fair and equitable.'"

At the beginning of line 18, to strike out "(f)" and insert "(e)"; at the beginning of line 22, to strike out "(g)" and insert "(f)"; on page 10, at the beginning of line 4, to strike out "(h)" and insert "(g)"; at the beginning of line 8, to strike out "(i)" and insert "(h)"; at the beginning of line 14, to strike out "(j)" and insert "(i)"; after line 20, to strike out:

"(k) Section 23 of the Farm Credit Act of 1933, as amended (12 U.S.C. 1131g), is amended by inserting as the second sentence thereof the following: 'Such loans shall bear such rates of interest as are authorized from time to time by the Federal intermediate credit bank of the district.'"

At the top of page 11, to insert:

"(j) The first sentence of section 5(d) of the Farm Credit Act of 1933 (12 U.S.C. 636(d)) is amended by inserting immediately before the period at the end thereof: 'Provided, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum.'"

And, at the beginning of line 7, to strike out "(1)" and insert "Sec. 5."; so as to make the bill read:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Federal Farm Loan Act, as amended, is amended—

"(a) by changing the paragraph thereof relating to the appointment of registrars, appraisers, and examiners (12 U.S.C. 656) to read:

"The Farm Credit Administration shall appoint a farm loan registrar for each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint as many farm credit appraisers and farm credit examiners as it shall deem necessary. Such farm loan registrars, deputy registrars, farm credit appraisers, and farm credit examiners shall have no connection with or interest in any institution, association, or

partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: *Provided*, That this limitation shall not apply to persons employed by the Farm Credit Administration on a temporary basis."

"(b) by deleting the paragraph thereof relating to the compensation of appraisers and inspectors (12 U.S.C. 658);

"(c) by deleting the paragraph thereof relating to the employment of certain personnel by the Farm Credit Administration (12 U.S.C. 659); and

"(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

"SEC. 2. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read:

"Any person desiring to secure a loan through a Federal land bank association under the provisions of this Act may, at its option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the Federal land bank association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act."

"(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751-757), is amended to read:

"SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal investigation and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

"(b) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

"(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.

"(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.

"(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

"(f) Notwithstanding the foregoing provisions of this section—

"(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;

"(2) the Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and

"(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

"(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve."

"Sec. 3. On the effective date of this Act each land bank appraiser shall be transferred from the Farm Credit Administration to the Federal land bank served by him immediately prior to said effective date, without reduction in salary and accumulated leave, unless the Farm Credit Administration, in its discretion, determines that individual appraisers shall be retained as farm credit appraisers. The selection of personnel for transfer, or for retention as farm credit appraisers, shall be without regard to section 12 of the Veterans' Preference Act of 1944, as amended. Land bank appraisers shall be subject to the same employment conditions as other bank employees after transfer under this section. At least sixty days prior to the effective date of this Act the Farm Credit Administration shall notify each land bank appraiser that he is to be transferred to a Federal land bank or that he is to be retained in the Farm Credit Administration. Any land bank appraiser who notifies the Farm Credit Administration in writing at least thirty days before

the effective date of this Act that he does not desire to accept employment as stated in the notice from the Farm Credit Administration shall be separated from employment on said effective date and such separation shall be deemed involuntary.

"Sec. 4. (a) Section 12 of the Federal Farm Loan Act, as amended (12 U.S.C. 771), is amended by (1) changing the last proviso of paragraph second thereof to read: 'And provided further, That any land bank may make loans on an unamortized or partially amortized basis, under rules and regulations issued by the Farm Credit Administration'; (2) striking out of paragraph seventh thereof 'loans to any one borrower shall in no case exceed a maximum of \$200,000, but'.

"(b) Section 20 of the Federal Farm Loan Act, as amended, is amended by deleting the second sentence thereof (12 U.S.C. 831, second sentence) and by inserting the following immediately before the period at the end of the last sentence thereof (12 U.S.C. 864, last sentence): ', except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds'.

"(c) The first and second sentences of section 23 of the Federal Farm Loan Act, as amended (12 U.S.C. 901), are amended by substituting 'at the end of each fiscal year' for 'semiannually' therein.

"(d) The first and second sentences of section 24 of the Federal Farm Loan Act, as amended (12 U.S.C. 911), are amended by substituting 'at the end of each fiscal year' for 'semiannually' therein.

"(e) The seventh paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 967), is amended by changing 'land bank appraiser' in the second and third sentences thereof to 'farm credit appraiser'.

"(f) Section 202(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1033), is amended by changing the period at the end thereof to a comma and adding the following: 'and any Federal intermediate credit bank may in its discretion purchase such loans or discounts with or without such endorsement.'

"(g) Section 208(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1093), is amended by changing 'Land bank appraisers' in the first sentence thereof to 'Farm credit appraiser'.

"(h) The Federal Farm Loan Act, as amended (12 U.S.C. 641 and the following), and any other Act of Congress in which the words appear, are amended by changing 'national farm loan association' and 'national farm loan associations' to 'Federal land bank association' and 'Federal land bank associations', respectively.

"(i) The Federal Farm Loan Act, as amended (12 U.S.C. 641 and the following), and any other Act of Congress in which the words appear, are amended by changing 'secretary-treasurer' and 'secretary-treasurers', when used to mean the secretary-treasurer of a national farm loan association (herein renamed 'Federal land bank association'), to 'manager' and 'managers', respectively.

"(j) The first sentence of section 5(d) of the Farm Credit Act of 1953 (12 U.S.C. 636d (d)) is amended by inserting immediately before the period at the end thereof: 'Provided, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum'.

"Sec. 5. This Act shall become effective December 31, 1959."

Mr. HOLLAND. Mr. President, I should like to refer to Calendar No. 343, S. 1513, which I shall move to have attached to the pending bill as title II for reasons which I can state briefly.

The other body, the House of Representatives, has before it the same legislation with substantially the same provisions, as one bill. When introduced in the Senate it was kept in two bills for a definite reason.

The first bill, which I have already discussed, relates to the institutions. The second bill relates to the personnel of the institutions. However, since the other body has handled both subjects in a single bill and it is the preference of the Farm Credit Administration so to handle them, it is the will of our committee that S. 1512 be amended so that it contains the substance of S. 1513 as a title II. This is proposed to simplify the matter and solely for that purpose.

Mr. President, I briefly should like to explain what is in the second bill before I move to attach it as an amendment?

S. 1513 is designed to clarify the status of employees of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives. The land banks have been entirely borrower owned since 1947. Government capital in the other banks is being retired and it is the policy of Congress that they shall eventually be wholly borrower owned and managed. The personnel of such banks are therefore more like private business employees than Government employees. However, they are subject to numerous statutes as Government employees and it is the purpose of this bill to correct that situation by making such statutes inapplicable to these employees. The specific statutes are set out and described on pages 7, 8, and 9 of the committee report. Employees already covered by the Civil Service Retirement Act would continue subject to that act, while the Social Security Act would be made applicable to new employees. It is intended that such new employees would also be covered by district retirement plans.

Mr. President, it is quite obvious that this is but another step in carrying out the general intent of Congress as made plain back in 1953, that these institutions shall not only become borrower owned and borrower managed, but that their employees may be regarded as employees of private institutions rather than as Government employees. The only reason for drafting this as a separate bill was because it applied to personnel rather than to the institutions themselves.

Mr. President, I offer an amendment which in effect inserts as title II of the pending measure the exact substance of S. 1513, the bill which I have just described, as reported by the committee.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 1, it is proposed to strike out line 3 and insert the following:

That this Act may be cited as the "Farm Credit Act of 1959."

TITLE I—FEDERAL LAND BANKS

SEC. 101. Section 3 of the Federal Farm Loan Act, as amended.

On page 2, line 24, strike out "Sec. 2." and insert "Sec. 102."

On page 7, line 6, strike out "SEC. 3." and insert "SEC. 103. On the effective date of this title."

On page 7, lines 18 and 24, strike out "Act" and insert "title".

On page 8, line 3, strike out "SEC. 4." and insert "SEC. 104."

On page 11, line 7, strike out "SEC. 5. This Act" and insert "SEC. 105. This title".

At the end of the bill add the following new title:

"TITLE II—STATUS OF FARM CREDIT BANKS AND EMPLOYEES"

SEC. 102. Notwithstanding any other provision of law, in order to encourage and facilitate increased borrower participation in the management and control of institutions operating under the supervision of the Farm Credit Administration in accordance with the policy declared in section 2 of the Farm Credit Act of 1953 (12 U.S.C. 636a), section 6 of the Farm Credit Act of 1937, as amended (12 U.S.C. 6401), is amended as follows:

(a) By inserting "(a)" immediately following "SEC. 6.", by redesignating subsections "(a)" and "(b)" as paragraphs "(1)" and "(2)", respectively, and by deleting subsection "(c)".

(b) By adding the following at the end of paragraph (1) of subsection (a) thereof (as redesignated herein): "The employment, compensation, leave, retirement (except as provided in subsection (e) hereof), hours of duty, and all other conditions of employment of such joint officers and employees employed by the district farm credit board, and of separate officers and employees of the Federal land bank, Federal intermediate credit bank, and bank for cooperatives of the district employed by the board of directors of such banks, shall be determined by the respective boards without regard to the laws from which exemption is granted in this section, but all such determinations shall be consistent with the laws under which such banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The district farm credit board shall, under rules and regulations prescribed by the Farm Credit Administration, provide for veterans' preference and limitations against political activity for such officers and employees substantially similar to the preference and limitations to which such officers and employees were subject upon enactment of this sentence."

(c) By adding the following new subsections after subsection (a) thereof (as redesignated herein):

"(b) The provisions of section 1753 of the Revised Statutes (5 U.S.C. 631) and the Act of January 16, 1883, entitled 'An Act to regulate and improve the civil service of the United States', as amended (22 Stat. 403; 5 U.S.C. 632 and the following), any laws supplementary thereto, including but not limited to the Act of August 24, 1912, as amended (5 U.S.C. 652), section 1 of the Act of November 26, 1940, as amended (5 U.S.C. 631a), and section 1310 of the Supplemental Appropriation Act, 1952, as amended (5 U.S.C. 43, note), and any rules, orders, or regulations promulgated for carrying such Acts or laws into effect, shall not apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(c) The Federal Employees' Compensation Act, as amended (5 U.S.C., ch. 15), shall not be applicable in respect to the injury, disability, or death of any employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives unless such injury, disability, or death (or cause thereof) occurred before January 1, 1960.

"(d) Section 9 of the Hatch Act, as amended (5 U.S.C. 1181), and the Veterans'

Preference Act of 1944, as amended (5 U.S.C. 851-869), shall not be deemed to apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(e) Each officer and employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended (5 U.S.C., ch. 30), shall continue so during his continuance as an officer or employee of any such banks without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such banks after December 31, 1959, shall not be covered under the civil service retirement system by reason of such employment, except that (1) a person who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any such banks without break in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of any such banks and, after a break in such employment, again becomes an officer or employee of any such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

"(f) In addition to such amounts as they are required to contribute to the civil service retirement and disability fund under section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C. 2254(a)), each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall, for each fiscal year after June 30, 1960, pay to the Farm Credit Administration to be covered into the Treasury as miscellaneous receipts, its fair portion of the cost of administration of said fund as determined in annual billings by the Civil Service Commission.

"(g) Any Federal land bank, Federal intermediate credit bank, or bank for cooperatives may, subject to approval of the Farm Credit Administration, establish a retirement system for its officers and employees either separately or jointly with any other corporation under the supervision of the Farm Credit Administration. In determining eligibility for or the amount of any benefit under any such retirement system, there shall not be taken into account any service which is creditable under the Civil Service Retirement Act, as amended, but service which constitutes employment as defined in section 210(a) of the Social Security Act, as amended (42 U.S.C. 410(a)), may be so taken into account notwithstanding section 115 of the Social Security Amendments of 1954 (42 U.S.C. 410, note) or any other provision of law.

"(h) Subsections (b), (c), (d), (e), (f), and (g) of this section shall apply to the Central Bank for Cooperatives and its personnel and the board of directors of the Central Bank for Cooperatives shall have all the authority and responsibility with respect to personnel of such Central Bank as is vested in the farm credit board of a district or the board of directors of a district bank for cooperatives with respect to personnel of any such district bank under subsection (a)(1) of this section."

SEC. 202. (a) Section 210(a)(6)(B)(ii) of title II of the Social Security Act, as amended (42 U.S.C. 410(a)(6)(B)(ii)), and section 3121(b)(6)(B)(ii) of the Internal Revenue Code of 1954, as amended (26 U.S.C. 3121(b)(6)(B)(ii)), are each amended by inserting "a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives,"

immediately after the words "employ of" therein.

(b) Section 2680 of title 28, United States Code, is amended by adding at the end thereof the following new subsection:

"(n) Any claim arising from the activities of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives."

(c) Section 102(b) of the Federal Employees Pay Act of 1945, as amended (5 U.S.C. 902(b)), is amended by striking out "and" immediately preceding "(6)" therein and by inserting before the period at the end thereof "; and (7) officers and employees of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives".

(d) Section 303 of the Government Employees' Incentive Awards Act (5 U.S.C. 2122) is amended by inserting within the parentheses after the words "the Tennessee Valley Authority" the words "or the Central Bank for Cooperatives".

(e) Section 205(e) of the Annual and Sick Leave Act of 1951, as added by section 4(b) of the Act of July 2, 1953 (5 U.S.C. 2064(e)), and section 1 of the Act of December 21, 1944, as amended by section 4(a) of the Act of July 2, 1953 (5 U.S.C. 61b), are each amended by substituting "(C), (H), or (I)" for "(C), or (H)" therein.

SEC. 203. (a) Nothing in this title shall be deemed to amend, alter, repeal, or restrict the application of (1) section 190 of the Revised Statutes (5 U.S.C. 99), relating to the prosecution of claims against the United States by former employees; (2) the Act of August 26, 1950 (5 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and separation of employees for security reasons; (3) section 710(e) of the Defense Production Act of 1950, as amended (50 U.S.C., App. 2160(e)), relating to the authority of the President to provide for an executive reserve training program; or (4) any Act of Congress the violation of which is punishable by a fine or imprisonment, or both.

(b) Any Act of Congress enacted after the effective date of this title and which states that it shall be applicable to agencies or instrumentalities of the United States or to corporations controlled or owned, in whole or in part, by the United States, or to officers and employees of the United States or such agencies or instrumentalities or corporations, shall not be applicable to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees unless such Act specifically so provides by naming such banks.

(c) This title shall become effective January 1, 1960.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Florida [Mr. HOLLAND].

The amendment was agreed to.

Mr. HOLLAND. Mr. President, so far as I know, there is absolutely no opposition to the bill as it is now combined, or as it was when dealt with as two separate bills. It is an important additional series of steps toward accomplishing the complete borrower ownership and management of our farm credit system units, which serve the best credit groups in all agriculture. I hope the bill will be passed.

The PRESIDING OFFICER. The bill is open to amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and was read the third time.

Mr. HOLLAND. Mr. President, I am advised that the majority leader desired

to have a quorum call before the passage of the bill. Therefore, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill having been read the third time, the question is, Shall it pass?

The bill (S. 1512) was passed.

Mr. JOHNSON of Texas. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. HOLLAND. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Senate bill 1513 is indefinitely postponed.

COTTON TEXTILE INDUSTRY'S EQUITABLE SHARE IN WORLD MARKET

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 516, S. 314.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 314) to assist the United States cotton textile industry in regaining its equitable share of the world market.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mrs. SMITH. Mr. President, I urge favorable action on S. 314.

Briefly, it proposes to assist the U.S. cotton textile industry in regaining its equitable share of the world market by using our surplus cotton to save our cotton textile industry by making it available to textile mills at prices with which they can compete in world markets with cheap foreign labor, and limiting the use of such surplus cotton exclusively for sale in world export markets at competitive prices.

In other words, it proposes a new differential or equalizer to offset the cheap Japanese labor. My bill proposes that the Secretary of Agriculture make available to textile mills 750,000 bales of surplus cotton at such prices as may be necessary to enable American mills to regain their just and fair share of export markets. These 750,000 bales of surplus cotton would be used solely for export markets and would not affect the domestic market.

An American cotton textile leader has said that the bill can prevent the liquidation of at least 2 million spindles and the jobs connected with this manufacturing capacity.

I shall concentrate my remarks at this time on answering the objections raised by the Departments of State and Agriculture to the bill. But before doing that, let me make certain observations.

No bill is perfect. It is easy to find fault with anything. It is easy to oppose. But it is not easy to offer constructive substitutes for that which is opposed and with which fault is found.

That is certainly the case with this bill. For its critics and opponents have failed to offer a constructive substitute for it. I say that it is at least worth a trial and that it should not be killed by those who offer no constructive substitute for that which they oppose.

The Departments of State and Agriculture have based their opposition to my bill on the following claims:

First. It would entail an annual cost of \$37½ million a year.

Second. Because only 10 percent of cotton textiles are exported by integrated mills, it would be almost impossible administratively to follow the other 90 percent throughout the channels of trade until finally exported.

Third. It would give preferential treatment to cotton textile producers and exporters over other American industries producing for export.

Fourth. Foreign-textile industries and their governments would react unfavorably to it.

Let us examine each of these objections to the bill.

THAT IT WOULD COST \$37½ MILLION
ANNUALLY

Whenever a businessman talks of cost, he measures it in terms of investment—in other words, what he will get in return for what he pays out. The Federal Government is our biggest business, so it is logical for it to measure this proposal in terms of what it would get in return for an investment costing \$37½ million a year. In other words, will it pay back more than it costs?

I do not profess to be a textile economist but I think it will, because it offers the following gains:

First. Saving several American textile mills from being liquidated.

Second. Saving the jobs of thousands of textile workers.

Third. Saving the economy of several textile communities and areas.

Fourth. Return revenue in Federal income-tax payments of employed textile workers instead of terminated tax income from unemployed textile workers.

Fifth. Return revenue in Federal taxes on profits of prosperous textile mills instead of terminated tax income from liquidated textile mills.

Sixth. Prevention of the cost of unemployment benefits to displaced textile workers.

Measured in terms of these potential gains, I believe the cost of the investment would be relatively small compared to the return that it would provide.

ADMINISTRATION AND ENFORCEMENT PROBLEMS
ON 90 PERCENT OF EXPORTS

No one in the textile industry has expressed agreement with this fear expressed by the Departments of State and Agriculture. Instead the contrary has been expressed. One American textile leader has dismissed this fear by saying that it would be very easy to increase our exports from the present level to the level we were exporting in the 1947 to 1952

period, through the regular channels of distribution—namely, 10 percent by the mills and 90 percent through the regular exporters who buy from the mills and reship abroad.

In other words, there would be a natural point of center for the administration and enforcement at the point of the mills themselves—either through their own direct exports and through their sales to regular exporters.

PREFERENTIAL TREATMENT FOR COTTON TEXTILES
OVER OTHER AMERICAN PRODUCERS FOR EXPORTS

If other American industries which also produce for export have any objection or complaint, they have thus far failed to register it. In other words, this point raised by the Department of State is strictly a theoretical one at this time. It is an unproved allegation. It is the difference between theory and practice.

Surely such an argument is not an acceptable justification to textile workers and communities and the American textile industry for the liquidation of 10 percent or more of cotton textile production in this country—and the liquidation of the jobs and the economy of the communities dependent upon this segment of the textile industry.

FOREIGN TEXTILE INDUSTRIES AND THEIR GOVERNMENTS
WOULD REACT UNFAVORABLY

I submit that there is a respectable limitation to this argument. There is a point where we must stop being afraid of other foreign governments, such as Japan, to whom we have poured millions of dollars and the finest and most modern of textile machinery out of the goodness of our heart—only in the end to find Japan fully exploiting her cheap labor, paid coolie wages, for cutthroat competition against her benefactor—the United States. The point at which we must call a halt to this fear psychology of foreign reaction is that point where we are starting to export American jobs to cheap labor, foreign beneficiary countries.

In short, this bill calls for a method by which to meet this unfair, cheap labor, cutthroat competition by giving our cotton textile industry the ability to compete for foreign markets. This bill proposes that we export cotton textiles instead of exporting our textile jobs and industry.

There is a point where we must start helping our own people instead of helping the people of foreign countries take jobs away from our own people. We have reached that point and that is the purpose of this bill.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it is the purpose of this Act to assist the United States cotton textile industry to reestablish and maintain its fair historical share of the world market in cotton textiles so as to (1) insure the continued existence of such industry, (2) prevent unemployment in such industry, and (3) allow em-

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5. FOREIGN AFFAIRS. Both Houses received from the National Advisory Council on International Monetary and Financial Problems a report on its activities for July 1 to Dec. 31, 1958. pp. 13568, 13719
6. VETERANS' BENEFITS. Sens. Young, O., and Yarborough urged the enactment of legislation to provide education benefits to veterans who have served in the Armed Forces since the Korean conflict. pp. 13600-2
7. FORESTRY; NATURAL RESOURCES. Sen. Neuberger inserted a letter from the Citizens Committee on Natural Resources urging the enactment of legislation for the preservation of wilderness areas. pp. 13609-10
Sen. Murray inserted an article by the chief of staff of the Menninger Foundation discussing the need for recreational activities, and stating that "wilderness and near wilderness areas are essential to the mental health of both children and adults." pp. 13626-8
8. TEXTILES. Sen. Pastore inserted a Department of Commerce press release discussing the first meeting of the interdepartmental Textile Industry Advisory Committee studying problems in the textile industry. pp. 13618-9
9. MINERALS. S. 1855, to amend the Mineral Leasing Act of 1920 so as to increase certain acreage limitations with respect to Alaska, was made the unfinished business. p. 13653
10. ECONOMIC CONDITIONS. Sen. Javits discussed the "economic and budgetary realities confronting the Congress," including comments on inflation, Federal expenditures, foreign aid, and the importance of food in our foreign aid program. pp. 13657-69
Sen. Williams, Del., discussed our "serious economic and financial crisis," and urged a reduction in Federal expenditures and the control of inflation. pp. 13675-80
11. ELECTRIFICATION. Sen. Morse opposed proposed legislation to authorize Federal subsidies to private power companies operating up-stream storage dams, and inserted a statement by Rep. Ullman, and his own statement before the S. Interstate and Foreign Commerce Committee, opposing such legislation. pp. 13682-4

HOUSE

12. MILK. Passed, under suspension of the rules, S. 1289, to increase and extend the special milk program (pp. 13710-2). Earlier in the day, at the request of Rep. Pelly, S. 1289 was passed over without prejudice (p. 13690). See Digest 124 for the provisions of this bill.
13. DISASTER RELIEF. Passed, under suspension of the rules, H. R. 6861, to require contributions by State governments to the cost of feed or seed furnished to farmers, ranchers, or stockmen in disaster areas. pp. 13709-10
14. PEANUTS. Passed as reported H. R. 4938, to continue the exemption of green peanuts from acreage allotments and marketing quotas. p. 13690
15. COTTON. Debated, under suspension of the rules, H. R. 7740, to provide for the preservation of acreage history and the reallocation of unused cotton acreage allotments. In the light of an absence of a quorum and under unanimous agreement, the vote on this bill was passed over until Wed., Aug. 5. pp. 13702-9

16. FARM LOANS. Passed with amendment S. 1512, to amend the Federal Farm Loan Act so as to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks. The House previously passed with amendment H. R. 6353, a similar bill, and then substituted the provisions of H. R. 6353 for the language in S. 1512, and H. R. 6353 was laid on the table. The amendment, which was offered by Rep. Murray, was to make the retirement deductions 7% for certain employees who would become employees of the banks. pp. 13690-7

Passed without amendment H. R. 7629, to amend Sec. 17 of the Bankhead-Jones Farm Tenant Act so as to continue indefinitely the authority of FIA to make real estate loans for refinancing farm debts. p. 13698

17. LANDS; LEASING; MINERALS. Passed without amendment S. 1110, to allow this Department to convey interests in submarginal lands to Clemson College, S.C. H. R. 4697, a similar bill, was laid on the table. This bill will now be sent to the President. p. 13690

Passed as reported H. R. 6940, to amend the Mineral Leasing Act of 1920 so as to increase certain acreage limitations with respect to Alaska. p. 13699

Passed as reported H. R. 6939, to amend the act providing for the leasing of coal lands in Alaska so as to increase the acreage limitation in such act. p. 13699-700

Passed without amendment H. R. 5849, to modify conditions under which Alaska may select lands made subject to lease, permit, license, or contract. p. 13701

The Subcommittee on Departmental Oversight and Consumer Relations of the Agriculture Committee voted to report to the full committee two bills: (1) H. R. 5442, to authorize this Department to convey certain lands in Iowa to the city of Keosauqua; and (2) H. R. 6669, with amendment, to provide that the Louisiana State University may use certain real property heretofore conveyed to it for general educational purposes. p. D701

18. RECLAMATION. Conferees were appointed on S. 994, to authorize the Interior Department to construct, operate, and maintain the Spokane Valley project, Wash and Idaho, under Federal reclamation laws. Senate conferees have been appointed. p. 13687

19. COCONUT OIL. Passed over, at the request of Rep. Weaver, H. J. Res. 441, to authorize the disposition of approximately 265 million pounds of coconut oil from the national stockpile. p. 13690

20. DEFENSE DEPARTMENT APPROPRIATION BILL FOR 1960. Received the conference report on this bill, H. R. 7454 (H. Rept. 743). pp. 13685-7, 13719

21. INTERGOVERNMENTAL RELATIONS. The Government Operations Committee reported (on July 31, during adjournment) with amendment H. R. 6904, to establish an advisory Commission on Intergovernmental Relations (H. Rept. 742). p. 13719

22. FOREIGN TRADE. A report submitted on July 29, on the Second Meeting of the Canada-United States Interparliamentary Group (U. S. Members of Congress and Canadian M. P.'s), includes a discussion on trade problems (relating mainly to minerals) between the two countries and a section on boundary water problems, including the St. Lawrence Seaway (H. Rept. 730).

23. TEXTILES; FOREIGN TRADE. The Ways and Means Committee voted to report (but did not actually report) two bills with amendment: (1) H. R. 2886, to suspend for 3 years the import duties on certain classifications of spun silk yarn; and (2) H. R. 6249, to liberalize the tariff laws for works of art and other exhibition material. p. D702

for railroad purposes granted to the Port of Boston Authority and a drainage easement to the city of Boston, in consideration of the conveyance by the Massachusetts Port Authority to the United States of America, free of all encumbrances, the following lands, together with any improvements thereon: (a) An area of approximately 60,300 square feet occupied by the United States under permit A-260 issued by the Port of Boston Commission of the Commonwealth of Massachusetts, bearing Department of the Navy instrument numbered NOY (R)-65507; and (b) an area of approximately 109,264 square feet occupied by the United States under permit A-261 issued by the Port of Boston Commission of the Commonwealth of Massachusetts, bearing Department of the Navy instrument numbered NOY (R)-65508.

SEC. 2. The conveyance to the Massachusetts Port Authority authorized by the first section of this Act shall be made subject to the following express conditions: (a) That the Massachusetts Port Authority, at its own expense, will preserve and maintain in a condition suitable for, and not inconsistent with, the purposes of the Authority, the lands and the improvements existing on said property on the date of enactment of this Act, and those which may be constructed thereon after such date of enactment; (b) that in a time of war or national emergency the United States shall have the right of the free and unlimited use of all said property including any improvements which may be erected by the grantee, but the United States shall pay a fair rental for any improvements made after the date of enactment of this Act and shall be responsible during the period of such use for the entire cost of maintaining said property.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AUTHORIZING COAST GUARD TO SELL CERTAIN UTILITIES

The Clerk called the bill (S. 577) to amend title 10, United States Code, section 2481, to authorize the U.S. Coast Guard to sell certain utilities in the immediate vicinity of a Coast Guard activity not available from local sources.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2481 of title 10, United States Code, is amended as follows:

(1) Subsection (a) is amended as follows:

(A) By striking out the words "of a military department" and inserting in place thereof the word "concerned".

(B) By striking out the word "or" immediately following the words "Air Force," and inserting the words "or Coast Guard," immediately following the words "Marine Corps,".

(2) Subsection (c) is amended by striking out the words "of the military department".

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AUTHORIZING COAST GUARD TO SELL SUPPLIES TO VESSELS

The Clerk called the bill (S. 1367) to amend title 14, United States Code, entitled "Coast Guard", to authorize the

Coast Guard to sell supplies and furnish services not available from local sources to vessels and other watercraft to meet the necessities of such vessels and watercraft.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 17 of title 14, United States Code, is amended by adding the following new section:

"SEC. 654. The Secretary under such regulations as he may prescribe, may sell to public and commercial vessels and other watercraft, such fuel, supplies and furnish such services as may be required to meet the necessities of the vessel or watercraft if such vessel or watercraft is unable—

"(1) to procure the fuel, supplies, or services from other sources at its present location; and

"(2) to proceed to the nearest port where they may be obtained without endangering the safety of the ship, the health and comfort of its personnel, or the safe condition of the property carried aboard.

Sales under this section shall be at such prices as the Secretary considers reasonable. Payment will be made on a cash basis or on such other basis as will reasonably assure prompt payment. Amounts received from such a sale shall, unless otherwise directed by another provision of law, be credited to the current appropriation concerned and are available for the same purposes as that appropriation."

SEC. 2. The analysis of chapter 17 of title 14, United States Code, is amended by adding the following new item:

"654. Public and commercial vessels and other watercraft; sale of fuel, supplies, and services."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

INCREASED COMPENSATION OF KEEPERS OF LIGHTHOUSES

The Clerk called the bill (H.R. 2245) to amend subsection 432(g) of title 14, United States Code, so as to increase the limitation on basic compensation of civilian keepers of lighthouses and civilians employed on lightships and other vessels of the Coast Guard from \$3,750 to \$5,100 per annum.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 14 of the United States Code, subsection 432(g), is amended by striking the amount "\$3,750" therein and inserting in lieu thereof the amount "\$5,100".

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

TRANSFER BY NAVY TO COAST GUARD OF CERTAIN PROPERTY

The clerk called the bill (H.R. 7943) to authorize the Coast Guard to accept, operate, and maintain a certain defense housing facility at Yorktown, Va., and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

Mr. DURHAM. Mr. Speaker, I ask unanimous consent that an identical Senate bill, S. 2153, be considered in lieu of the House bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There being no objection, the Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the United States Coast Guard is authorized to accept from the Department of the Navy, without reimbursement, the forty-two unit defense housing facility at Yorktown, Virginia, and to operate and maintain such facility on a rental basis for occupancy by Coast Guard personnel and their dependents pursuant to the provisions of the Act of July 2, 1945 (59 Stat. 316; 37 U.S.C. 111a).

SEC. 2. Until June 30, 1960, rents collected may be utilized in operating and maintaining the facility, after which date they shall be deposited in the Treasury to the credit of miscellaneous receipts. Coast Guard appropriations shall be available for the cost of operating and maintaining the housing facility.

SEC. 3. The administration of the housing facility by the Coast Guard shall, except as provided in section 2, be in conformity with the administration of similar housing projects by the other Armed Forces.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill (H.R. 7943) was laid on the table.

DISPOSAL FROM THE NATIONAL STOCKPILE

The Clerk called the concurrent resolution (H. Con. Res. 166) providing the express approval of the Congress under section 3(e) of the Strategic and Critical Materials Stock Piling Act, of the disposal of rough cuttable gem-quality diamonds, cut and polished gem-quality diamonds, osmium, rhodium, ruthenium, and zircon concentrates from the national stockpile.

There being no objection, the Clerk read the concurrent resolution, as follows:

Resolved by the House of Representatives (the Senate concurring), That the Congress expressly approves, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (53 Stat. 811, as amended; 50 U.S.C. 98b(e)), the disposal of the following materials from the national stockpile in accordance with the plans of disposal published by General Services Administration in the Federal Register on the dates indicated—

(a) approximately forty-seven thousand and forty-nine carats of rough cuttable gem-quality diamonds and eight thousand four hundred and twelve carats of cut and polished gem-quality diamonds. Federal Register of August 5, 1958 (23 F.R. 5944);

(b) approximately twenty-seven troy ounces of osmium, two thousand five hundred and fifteen troy ounces of rhodium and fifty-one ounces of ruthenium. Federal Register of August 15, 1958 (23 F.R. 6311); and

(c) approximately fifteen thousand nine hundred and two short dry tons of zircon

concentrates, Federal Register of March 13, 1959 (24 F.R. 1844).

All funds derived from the sales authorized by this concurrent resolution shall be deposited into the Treasury as miscellaneous receipts.

The concurrent resolution was agreed to, and a motion to reconsider was laid on the table.

COCONUT OIL

The Clerk called the joint resolution (H.J. Res. 441) relating to the disposition of coconut oil from the national stockpile under the Strategic and Critical Materials Stockpiling Act.

Mr. WEAVER. Mr. Speaker, at the request of another Member who is unable to be present today, I ask unanimous consent that this measure be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska.

There was no objection.

RETIREMENT OF U.S. COMMISSIONERS

The Clerk called the bill (H.R. 163) to amend the Civil Service Retirement Act with respect to the crediting of service of U.S. commissioners for purposes of such act.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3(i) of the Civil Service Retirement Act (5 U.S.C. 2253(i)) is amended—

(1) by striking out in the first sentence thereof "on the basis of one three hundred and thirteenth of a year for each day on which such United States commissioner renders service in such capacity" and inserting in lieu thereof "on the basis of one two hundred and thirty-eighth of a year for each day on which such United States commissioner renders service in such capacity", and

(2) by striking out in the second sentence thereof "three hundred and thirteen days in any one year" and inserting in lieu thereof "two hundred and thirty-eight days in any one year".

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following: "That section 3(i) of the Civil Service Retirement Act (5 U.S.C. 2253(i)) is amended—

"(1) by striking out in the first sentence thereof 'on the basis of one three hundred and thirteenth of a year for each day on which such United States commissioner renders service in such capacity' and inserting in lieu thereof 'on the basis of one three hundred and thirteenth of a year for each day, prior to July 1, 1945, and one two hundred and sixtieth of a year for each day after June 30, 1945, on which such United States commissioner renders service in such capacity', and

"(2) by striking out in the second sentence thereof 'for more than three hundred and thirteen days in any one year' and inserting in lieu thereof 'for more than three hundred and thirteen days in any one year prior to July 1, 1945, or for more than two hundred and sixty days in any one year after June 30, 1945'.

"Sec. 2. Notwithstanding any other provision of law, benefits payable by reason of the

amendments made by the first section of this Act shall be paid from the civil service retirement and disability fund.

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

SPECIAL MILK PROGRAM FOR CHILDREN

The Clerk called the bill (S. 1289) to increase and extend the special milk program for children.

Mr. PELLY. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

PEANUTS FOR BOILING

The Clerk called the bill (H.R. 4938) to amend the Agricultural Adjustment Act of 1938 to make permanent the definition of "peanuts" which is now in effect on a temporary basis.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes", approved August 13, 1957 (7 U.S.C. 1359 note), is repealed.

With the following committee amendment:

Page 1, line 7, strike the word "repealed" and insert "amended by striking the word 'and' and inserting after the figure '1959' the words ', 1960 and 1961'".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to amend the Agricultural Adjustment Act of 1938 to extend for 2 years the definition of "peanuts" which is now in effect."

A motion to reconsider was laid on the table.

AMENDING ACT OF AUGUST 4, 1955, (PUBLIC LAW 237, 84TH CONGRESS)

The Clerk called the bill (H.R. 4697) to amend the Act of August 4, 1955 (Public Law 237, 84th Cong.) to provide for conveyance of certain interests in the lands covered by such act.

Mr. DORN of South Carolina. Mr. Speaker, I ask unanimous consent for the present consideration of the Senate bill (S. 1110) to amend the act of August 4, 1955 (Public Law 237, 84th Cong.), to provide for conveyance of certain interests in the lands covered by such act.

The Clerk read the title of the Senate bill.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to direct the Secretary of Agriculture to release on behalf of the United States conditions in two deeds conveying certain submarginal lands to Clemson Agricultural College of South Carolina so as to permit such college, subject to certain conditions, to sell, lease, or otherwise dispose of such lands", approved August 4, 1955 (Public Law 237, Eighty-fourth Congress; 69 Stat. 496), is amended by adding at the end thereof the following:

"Sec. 3. (a) Upon application and subject to subsection (b) of this section, all the undivided mineral interests of the United States in any parcel or tract of land released pursuant to this Act from the said conditions as to such lands may be conveyed to the Clemson Agricultural College of South Carolina by the Secretary of the Interior upon the payment of an amount equal to the fair market value of such interests as determined by appraisal or otherwise.

"(b) This section shall not apply to the mineral interests of the United States in the seven thousand three hundred eighty and one-half acres of land taken by eminent domain in Civil Action 2446 in the United States District Court for the Western District of South Carolina."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill was laid on the table.

AMENDING FEDERAL FARM LOAN ACT

The Clerk called the bill (H.R. 6353) to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. MURRAY. Mr. Speaker, reserving the right to object, I have an amendment to this bill. I have discussed it with the chairman of the Committee on Agriculture, the gentleman from North Carolina [Mr. COOLEY]. I do not think there is any objection to the amendment on his part. The amendment has been gone through very fully with the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Speaker, will the gentleman yield?

Mr. MURRAY. I yield.

Mr. COOLEY. Mr. Speaker, I have discussed the proposed amendment with the gentleman from Tennessee. While I have no right to accept the amendment, I have agreed to accept it for the purpose of taking it to conference at least. So I have no objection.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of

America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1959".

TITLE I—FEDERAL LAND BANKS

SEC. 101. Section 3 of the Federal Farm Loan Act, as amended, is amended—

(a) by changing the paragraph thereof relating to the appointment of registrars, appraisers, and examiners (12 U.S.C. 656) to read:

"The Farm Credit Administration shall appoint a farm loan registrar for each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint as many farm credit appraisers and farm credit examiners as it shall deem necessary. Such farm loan registrars, deputy registrars, farm credit appraisers, and farm credit examiners shall have no connection with or interest in any institution, association, or partnership engaged in banking or in the business or making land mortgage loans or selling land mortgages but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: *Provided*, That this limitation shall not apply to persons employed by the Farm Credit Administration on a temporary basis."

(b) by deleting the paragraph thereof relating to the compensation of appraisers and inspectors (12 U.S.C. 658);

(c) by deleting the paragraph thereof relating to the employment of certain personnel by the Farm Credit Administration (12 U.S.C. 659); and

(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

SEC. 102. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read:

"Any person desiring to secure a loan through a Federal land bank association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the Federal land bank association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act."

(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751-757), is amended to read:

"SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal, investigation, and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the

same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

"(b) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

"(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.

"(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.

"(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

"(f) Notwithstanding the foregoing provisions of this section—

"(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;

"(2) the Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and

"(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

"(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve."

SEC. 103. On the effective date of this title each land bank appraiser shall be transferred from the Farm Credit Administration to the Federal land bank served by him immediately prior to said effective date, without reduction in salary and accumulated leave, unless the Farm Credit Administration, in its discretion, determines that individual appraisers shall be retained as farm credit appraisers. The selection of personnel for transfer, or for retention as farm credit appraisers, shall be without regard to section 12 of the Veterans' Preference Act of 1944, as amended (5 U.S.C. 861). Land bank appraisers shall be subject to the same employment conditions as other bank employees after transfer under this section. At least sixty days prior to the effective date of this title the Farm Credit Administration shall notify each land bank appraiser that he is to be transferred to a Federal land bank or that he is to be retained in the Farm Credit Administration. Any land bank appraiser who notifies the Farm Credit Administration in writing at least thirty days before the effective date of this title that he does not desire to accept employment as stated in the notice from the Farm Credit Administration shall be separated from employment on said effective date and such separation shall be deemed involuntary.

SEC. 104. (a) Section 12 of the Federal Farm Loan Act, as amended (12 U.S.C. 771), is amended by (1) changing the last proviso of paragraph "Second" thereof to read: "*And provided further*, That any land bank may make loans on an unamortized or partially amortized basis, under rules and regulations issued by the Farm Credit Administration."; (2) striking out of paragraph "Seventh" thereof "loans to any one borrower shall in no case exceed a maximum of \$200,000, but".

(b) Section 20 of the Federal Farm Loan Act, as amended, is amended by deleting the second sentence thereof (12 U.S.C. 861, second sentence) and by inserting the following immediately before the period at the end of the last sentence thereof (12 U.S.C. 864, last sentence): ", except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds".

(c) The first and second sentences of section 23 of the Federal Farm Loan Act, as amended (12 U.S.C. 901), are amended by substituting "at the end of each fiscal year" for "semiannually" therein.

(d) The first and second sentences of section 24 of the Federal Farm Loan Act, as amended (12 U.S.C. 911), are amended by substituting "at the end of each fiscal year" for "semiannually" therein.

(e) The seventh paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 967), is amended by changing "land bank appraiser" in the second and third sentences thereof to "farm credit appraiser".

(f) Section 202(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1033), is amended by changing the period at the end thereof to a comma and adding the following: "and any Federal intermediate credit bank may in its discretion purchase such loans or discounts with or without such endorsement."

(g) Section 208(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1093) is amended by changing "Land bank appraisers" in the first sentence thereof to "Farm credit appraisers".

(h) The Federal Farm Loan Act, as amended (12 U.S.C. 641 et seq.), and any other Act of Congress in which the words appear, are amended by changing "national farm loan association" and "national farm loan associations" to "Federal land bank association" and "Federal land bank associations", respectively.

(i) The Federal Farm Loan Act, as amended (12 U.S.C. 641 et seq.), and any other Act of Congress in which the words appear, are amended by changing "secretary-treasurer" and "secretary-treasurers", when used to mean the secretary-treasurer of a national farm loan association (herein re-named "Federal land bank association"), to "manager" and "managers", respectively.

(j) The first sentence of section 5(d) of the Farm Credit Act of 1953 (12 U.S.C. 636(d)) is amended by inserting immediately before the period at the end thereof: "Provided, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum".

(k) This title shall become effective December 31, 1959.

TITLE II—STATUS OF FARM CREDIT BANKS AND EMPLOYEES

SEC. 201. Notwithstanding any other provision of law, and in order to encourage and facilitate increased borrower participation in the management and control of institutions operating under the supervision of the Farm Credit Administration in accordance with the policy declared in section 2 of the Farm Credit Act of 1953 (12 U.S.C., supp. IV, 636a), section 6 of the Farm Credit Act of 1937, as amended (12 U.S.C. 6401), is amended—

(a) by inserting "(a)" immediately following "SEC. 6.", by redesignating subsections "(a)" and "(b)" as paragraphs "(1)" and "(2)", respectively, and by deleting subsection "(c)";

(b) by adding the following at the end of paragraph (1) of subsection (a) thereof (as redesignated herein): "The employment, compensation, leave, retirement (except as provided in subsection (e) hereof), hours of duty, and all other conditions of employment of such joint officers and employees employed by the district farm credit board, and of separate officers and employees of the Federal land bank, Federal intermediate credit bank, and bank for cooperatives of the district employed by the board of directors of such banks, shall be determined by the respective boards without regard to the laws from which exemption is granted in this section, but all such determinations shall be consistent with the laws under which such banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The district farm credit board shall, under rules and regulations prescribed by the Farm Credit Administration, provide for veterans' preference and limitations against political activity for such officers and employees substantially similar to the preference and limitations to which such officers and employees were subject upon enactment of this sentence."; and

(c) by adding the following new subsections after subsection (a) thereof (as redesignated herein):

"(b) The provisions of section 1753 of the Revised Statutes (5 U.S.C. 631) and the Act of January 16, 1883, entitled 'An Act to regulate and improve the civil service of the United States', as amended (22 Stat. 403; 5 U.S.C. 632 et seq.), any laws supplementary thereto, including but not limited to the Act of August 24, 1912, as amended (5 U.S.C. 652), section 1 of the Act of November 26, 1940, as amended (5 U.S.C. 631a), and section 1310 of the Supplemental Appropriation Act, 1952, as amended (5 U.S.C. 43, note), and any rules, orders, or regulations promulgated for carrying such Acts or laws into effect, shall not apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(c) The Federal Employees' Compensation Act, as amended (5 U.S.C., ch. 15),

shall not be applicable in respect to the injury, disability, or death of any employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives unless such injury, disability, or death (or cause thereof) occurred before January 1, 1960.

"(d) Section 9 of the Hatch Act, as amended (5 U.S.C. 1181), and the Veterans' Preference Act of 1944, as amended (5 U.S.C. 851-869), shall not be deemed to apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(e) Each officer and employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended (5 U.S.C., supp. IV, ch. 30), shall continue so during his continuance as an officer or employee of any such banks without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such banks after December 31, 1959, shall not be covered under the civil service retirement system by reason of such employment, except that (1) a person who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any such banks without break in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of such banks and, after a break in such employment, again becomes an officer or employee of any such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

"(f) In addition to such amounts as they are required to contribute to the civil service retirement and disability fund under section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C., supp. IV, 2254(a)), each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall, for each fiscal year after June 30, 1960, pay to the Farm Credit Administration to be covered into the Treasury as miscellaneous receipts, its fair portion of the cost of administration of said fund as determined in annual billings by the Civil Service Commission.

"(g) Any Federal land bank, Federal intermediate credit bank, or bank for cooperatives may, subject to the approval of the Farm Credit Administration, establish a retirement system for its officers and employees either separately or jointly with any other corporation under the supervision of the Farm Credit Administration. In determining eligibility for or the amount of any benefit under any such retirement system, there shall not be taken into account any service which is creditable under the Civil Service Retirement Act, as amended, but service which constitutes employment as defined in section 210(a) of the Social Security Act, as amended (42 U.S.C., supp. IV, 410(a)), may be so taken into account notwithstanding section 115 of the Social Security Amendments of 1954 (42 U.S.C., supp. IV, 410, note) or any other provision of law.

"(h) Subsections (b), (c), (d), (e), (f), and (g) of this section shall apply to the Central Bank for Cooperatives and its personnel and the board of directors of the Central Bank for Cooperatives shall have all the authority and responsibility with respect to personnel of such central bank as is vested in the farm credit board of a district or the board of directors of a district bank for cooperatives with respect to personnel of any such district bank under subsection (a)(1) of this section.

SEC. 202. (a) Section 210(a)(6)(B)(ii) of title II of the Social Security Act, as amended (42 U.S.C., supp. IV, 410(a)(6)(B)(ii)), and section 3121(b)(6)(B)(ii) of the Internal Revenue Code of 1954, as amended (26 U.S.C., supp. IV, 3121(b)(6)(B)(ii)), are each amended by inserting "a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives," immediately before the words "a national farm loan association" therein.

(b) Section 2680 of title 28, United States Code, is amended by adding at the end thereof the following new subsection: "(n) Any claim arising from the activities of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives."

(c) Section 102(b) of the Federal Employees Pay Act of 1945, as amended (5 U.S.C. 902(b)), is amended by striking out "and" immediately preceding "(6)" therein and by inserting before the period at the end thereof "; and (7) officers and employees of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives".

(d) Section 303 of the Government Employees' Incentive Awards Act (5 U.S.C., supp. IV, 2122) is amended by inserting within the parentheses after the words "the Tennessee Valley Authority" the words "or the Central Bank for Cooperatives".

(e) Section 205(e) of the Annual and Sick Leave Act of 1951, as added by section 4(b) of the Act of July 2, 1953 (5 U.S.C., supp. IV, 2064(e)), and section 1 of the Act of December 21, 1944, as amended by section 4(a) of the Act of July 2, 1953 (5 U.S.C., supp. IV, 61b), are each amended by substituting "(C), (H), or (I)" for "(C), or (H)" therein.

SEC. 203. (a) Nothing in this bill shall be deemed to amend, alter, repeal, or restrict the application of (1) section 190 of the Revised Statutes (5 U.S.C. 99), relating to the prosecution of claims against the United States by former employees; (2) the Act of August 26, 1950 (5 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and separation of employees for security reasons; (3) section 710(e) of the Defense Production Act of 1950, as amended (50 U.S.C., app., supp. IV, 2160(e)), relating to the authority of the President to provide for an executive reserve training program; or (4) any Act of Congress the violation of which is punishable by a fine or imprisonment, or both.

(b) Any Act of Congress enacted after the effective date of this title and which states that it shall be applicable to agencies or instrumentalities of the United States or to corporations controlled or owned, in whole or in part, by the United States, or to officers and employees of the United States or such agencies or instrumentalities or corporations, shall not be applicable to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees unless such Act specifically so provides by naming such banks.

(c) This title shall become effective January 1, 1960.

Mr. MURRAY. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MURRAY: Page 14, strike out lines 8 to 17, inclusive, and insert in lieu thereof the following:

"(f) Each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall contribute to the civil service retirement and disability fund, for each fiscal year after June 30, 1960, a sum as provided by section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C. 2254(a)), except that such sum shall be determined by applying to the total basic salaries (as defined in that Act) paid to the employees of said banks who are covered

by that Act, the per centum rate determined annually by the U.S. Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in such section 4(a). Each bank shall also pay into the Treasury as miscellaneous receipts such portion of the cost of administration of the fund as is determined by the U.S. Civil Service Commission to be attributable to its employees."

The SPEAKER. The question is on the amendment offered by the gentleman from Tennessee [Mr. MURRAY].

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

(Mr. MURRAY asked and was given permission to extend his remarks at this point.)

Mr. MURRAY. Mr. Speaker, section 201(c) of H.R. 6353 adds at the end of section 6 of the Farm Credit Act of 1937 certain new subsections, including a new subsection (f) appearing at page 14, lines 8 through 17, of the reported bill. The new subsection (f) will continue under coverage of the Civil Service Retirement Act approximately 1,600 employees of Federal land banks, Federal intermediate credit banks, and banks for cooperates, although they will no longer be Federal employees after enactment of H.R. 6353. This represents a departure from the established principle that the Civil Service Retirement Act shall apply only to Federal employees.

The equities in favor of these employees have been most ably explained to me by the distinguished gentleman from North Carolina, the chairman of the Committee on Agriculture, and I concur in his view that they are entitled to all possible consideration. They have served for a number of years in positions in the banks which have been covered by the Civil Service Retirement Act since 1942. I understand that the average length of service rendered is 20 years or more. It would be unfair to the employees and possibly adverse to the interests of the banks were the employees, through no fault of their own, to be deprived of retirement protection they have had for many years.

Without this amendment, the new subsection (f) would have one further effect which is undesirable. The reported bill provides for continued contribution by the employees at the rate of 6½ percent of their annual salaries. The banks would match this contribution and pay a fair share of the cost of administration of the retirement fund. This provision would result in an unwarranted additional cost to the civil service retirement and disability fund, which already is in serious financial condition. The recent actuarial valuation of the fund discloses obligations exceeding assets by \$27 billion. This amount actually represents a deficit in the fund.

The reported bill makes no provision for payment by the employees or the banks of the difference between their combined contributions and the current annual cost of the retirement coverage

provided—generally referred to as the "normal cost." Presently, approximately 19.5 percent of annual payroll is required to maintain the retirement fund on a current basis and to pay interest on the past deficit. The 19.5 percent consists of 6½ percent of salary contributed by the employees, 6½ percent matching contribution by the agencies, approximately one-half of 1 percent to cover the normal, or currently accruing, costs for each year, and 6 percent interest on the deficit.

Thus, the current or normal cost of civil service retirement coverage for the employees in the instant case will be approximately 13½ percent of payroll, rather than the total of 13 percent provided for by the bill. The difference of one-half of 1 percent of payroll represents an unwarranted expense to the already overburdened retirement fund.

In summary, the amendment will continue retirement coverage for the employees concerned, as is done by the reported bill, with the employees contributing 6½ percent of their salaries. However, the amendment requires the banks to contribute an amount each year equal to the difference between the employees' 6½ percent contribution and the normal cost of the fund for that year—presently 13½ percent. The banks would contribute approximately 7 percent of payroll, compared to 6½ percent under the reported bill, in addition to their fair share of the cost of administering the retirement fund.

The amendment continues the obligations of the Government to bear the normal cost and interest related to service rendered by the employees up to the date of enactment of the bill. The banks will assume the obligation for retirement coverage of the employees after enactment of H.R. 6353—that is, when they will no longer be Federal employees but will continue under the Federal retirement system—beginning with the first full fiscal year commencing after enactment of the bill.

I believe that this amendment is desirable and will assure fair treatment of the employees while at the same time preventing any undue drain on the civil service retirement fund.

Mr. SMITH of Iowa. Mr. Speaker, this bill S. 1512 provides authority for the Federal land bank to make loans on an unamortized or partially amortized basis. As a general rule, a loan would be made on an amortized basis, and several citizens in Iowa have expressed opposition to the violation of this general rule. I have made inquiry of members of the committee concerning the intent of this provision and found overwhelming support for the provision. In response to inquiries, the Farm Credit Administration has made a statement which I believe expresses the intent of the Members with whom I have discussed this matter. The statement is as follows:

Under present law, Federal land banks may make loans only under an amortization plan calling for a fixed number of annual or semiannual payments. The bill would authorize the land banks to make

loans on an unamortized or partially amortized basis under rules and regulations issued by the Farm Credit Administration.

Generally, amortized loans are considered to be in the best interest of both borrower and lender. The making of such loans would continue to be the primary business of the banks. There are special circumstances, however, where some land bank borrowers, after paying off a substantial portion of their loans, would prefer to use their income for farm improvements or other expenses. Also, in some instances, older borrowers would prefer to have a certain amount of debt against their farms and use the money for living expenses which would otherwise go to reduce the debt. There are other farmers who, like many business concerns, prefer to carry on their normal operations with a certain amount of mortgage indebtedness against the farm. The land banks could better serve the needs of all these farmers if they were authorized to make unamortized or partially amortized loans. It is intended, however, that the banks use this authority only in special situations such as those indicated above and they would not be permitted to do so in any case if there would likely be a deterioration in the security for the loan. It will be noted that under the language of the bill the authority of the banks in this respect is subject to close supervision by the Farm Credit Administration, since loans of this kind could be made only under rules and regulations issued by the Farm Credit Administration. The Farm Credit Administration can be relied upon to prevent any abuse of this authority.

Mr. Speaker, I know there are special situations where it is better business to reduce indebtedness secured by chattel mortgages that bear a higher interest rate than to reduce the land mortgage. The bill as a whole provides some good improvements.

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the Senate bill (S. 1512) to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1959".

TITLE I—FEDERAL LAND BANKS

SEC. 101. Section 3 of the Federal Farm Loan Act, as amended, is amended—

(a) by changing the paragraph thereof relating to the appointment of registrars, appraisers, and examiners (12 U.S.C. 656) to read:

"The Farm Credit Administration shall appoint a farm loan registrar for each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint as many farm credit appraisers and farm credit examiners as it shall deem necessary. Such farm loan registrars, deputy registrars, farm credit appraisers, and farm credit examiners shall

have no connection with or interest in any institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: *Provided*, That this limitation shall not apply to persons employed by the Farm Credit Administration on a temporary basis.”;

(b) by deleting the paragraph thereof relating to the compensation of appraisers and inspectors (12 U.S.C. 658);

(c) by deleting the paragraph thereof relating to the employment of certain personnel by the Farm Credit Administration (12 U.S.C. 659); and

(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

SEC. 102. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read:

“Any person desiring to secure a loan through a Federal land bank association under the provisions of this Act may, at its option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the Federal land bank association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act.”

(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751-757), is amended to read:

“SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal investigation and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

“(d) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

“(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.

“(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.

“(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

“(f) Notwithstanding the foregoing provisions of this section—

“(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;

“(2) the Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and

“(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

“(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve.”

SEC. 103. On the effective date of this title each land bank appraiser shall be transferred from the Farm Credit Administration to the Federal land bank served by him immediately prior to said effective date, without reduction in salary and accumulated leave, unless the Farm Credit Administration, in its discretion, determines that individual appraisers shall be retained as farm credit appraisers. The selection of personnel for transfer, or for retention as farm credit appraisers, shall be without regard to section 12 of the Veterans' Preference Act of 1944 as amended. Land bank appraisers shall be subject to the same employment conditions as other bank employees after transfer under this section. At least sixty days prior to the effective date of this title the Farm Credit Administration shall notify each land bank appraiser that he is to be transferred to a Federal land bank or that he is to be retained in the Farm Credit Administration. Any land bank appraiser who notifies the Farm Credit Administration in writing at least thirty days before the effective date of this title that he

does not desire to accept employment as stated in the notice from the Farm Credit Administration shall be separated from employment on said effective date and such separation shall be deemed involuntary.

SEC. 104. (a) Section 12 of the Federal Farm Loan Act, as amended (12 U.S.C. 771), is amended by (1) changing the last proviso of paragraph second thereof to read: “*And provided further*, That any land bank may make loans on an unamortized or partially amortized basis, under rules and regulations issued by the Farm Credit Administration.”; (2) striking out of paragraph seventh thereof “loans to any one borrower shall in no case exceed a maximum of \$200,000, but”.

(b) Section 20 of the Federal Farm Loan Act, as amended, is amended by deleting the second sentence thereof (12 U.S.C. 861, second sentence) and by inserting the following immediately before the period at the end of the last sentence thereof (12 U.S.C. 864, last sentence): “, except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds”.

(c) The first and second sentences of section 23 of the Federal Farm Loan Act, as amended (12 U.S.C. 901), are amended by substituting “at the end of each fiscal year” for “semiannually” therein.

(d) The first and second sentences of section 24 of the Federal Farm Loan Act, as amended (12 U.S.C. 911), are amended by substituting “at the end of each fiscal year” for “semiannually” therein.

(e) The seventh paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 967), is amended by changing “land bank appraiser” in the second and third sentences thereof to “farm credit appraiser”.

(f) Section 202(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1033), is amended by changing the period at the end thereof to a comma and adding the following: “and any Federal intermediate credit bank may in its discretion purchase such loans or discounts with or without such endorsement.”

(g) Section 208(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1093), is amended by changing “Land bank appraisers” in the first sentence thereof to “Farm credit appraisers”.

(h) The Federal Farm Loan Act, as amended (12 U.S.C. 641 and the following), and any other Act of Congress in which the words appear, are amended by changing “national farm loan association” and “national farm loan associations” to “Federal land bank association” and “Federal land bank associations”, respectively.

(i) The Federal Farm Loan Act, as amended (12 U.S.C. 641 and the following), and any other Act of Congress in which the words appear, are amended by changing “secretary-treasurer” and “secretary-treasurers”, when used to mean the secretary-treasurer of a national farm loan association (herein renamed “Federal land bank association”), to “manager” and “managers”, respectively.

(j) The first sentence of section 5(d) of the Farm Credit Act of 1953 (12 U.S.C. 636d(d)) is amended by inserting immediately before the period at the end thereof: “*Provided*, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum”.

SEC. 105. This title shall become effective December 31, 1959.

TITLE II—STATUS OF FARM CREDIT BANKS AND EMPLOYEES

SEC. 201. Notwithstanding any other provision of law, and in order to encourage and facilitate increased borrower participation in the management and control of institutions operating under the supervision of the Farm Credit Administration in accordance with

the policy declared in section 2 of the Farm Credit Act of 1953 (12 U.S.C. 636a), section 6 of the Farm Credit Act of 1937, as amended (12 U.S.C. 6401), is amended as follows:

(a) By inserting "(a)" immediately following "Sec. 6.", by redesignating subsections "(a)" and "(b)" as paragraphs "(1)" and "(2)", respectively, and by deleting subsection "(c)".

(b) By adding the following at the end of paragraph (1) of subsection (a) thereof (as redesignated herein): "The employment, compensation, leave, retirement (except as provided in subsection (e) hereof), hours of duty, and all other conditions of employment of such joint officers and employees employed by the district farm credit board, and of separate officers and employees of the Federal land bank, Federal intermediate credit bank, and bank for cooperatives of the district employed by the board of directors of such banks, shall be determined by the respective boards without regard to the laws from which exemption is granted in this section, but all such determinations shall be consistent with the laws under which such banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The district farm credit board shall, under rules and regulations prescribed by the Farm Credit Administration, provide for veterans' preference and limitations against political activity for such officers and employees substantially similar to the preference and limitations to which such officers and employees were subject upon enactment of this sentence."

(c) By adding the following new subsections after subsection (a) thereof (as redesignated herein):

"(b) The provisions of section 1753 of the Revised Statutes (5 U.S.C. 631) and the Act of January 16, 1883, entitled 'An Act to regulate and improve the civil service of the United States', as amended (22 Stat. 403; 5 U.S.C. 632 and the following), any laws supplementary thereto, including but not limited to the Act of August 24, 1912, as amended (5 U.S.C. 652), section 1 of the Act of November 26, 1940, as amended (5 U.S.C. 631a), and section 1310 of the Supplemental Appropriation Act, 1952, as amended (5 U.S.C. 43, note), and any rules, orders, or regulations promulgated for carrying such Acts or laws into effect, shall not apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(c) The Federal Employees' Compensation Act, as amended (5 U.S.C., ch. 15), shall not be applicable in respect to the injury, disability, or death of any employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives unless such injury, disability, or death (or cause thereof) occurred before January 1, 1960.

"(d) Section 9 of the Hatch Act, as amended (5 U.S.C. 1181), and the Veterans' Preference Act of 1944, as amended (5 U.S.C. 851-869), shall not be deemed to apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(e) Each officer and employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended (5 U.S.C., ch. 30), shall continue so during his continuance as an officer or employee of any such banks without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such banks after December 31, 1959, shall not be covered under the civil service retirement sys-

tem by reason of such employment, except that (1) a person who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any such banks without break in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of such banks and, after a break in such employment, again becomes an officer or employee of any such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

"(f) In addition to such amounts as they are required to contribute to the civil service retirement and disability fund under section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C. 2254(a)), each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall, for each fiscal year after June 30, 1960, pay to the Farm Credit Administration to be covered into the Treasury as miscellaneous receipts, its fair portion of the cost of administration of said fund as determined in annual billings by the Civil Service Commission.

"(g) Any Federal land bank, Federal intermediate credit bank, or bank for cooperatives may, subject to the approval of the Farm Credit Administration, establish a retirement system for its officers and employees either separately or jointly with any other corporation under the supervision of the Farm Credit Administration. In determining eligibility for or the amount of any benefit under any such retirement system, there shall not be taken into account any service which is creditable under the Civil Service Retirement Act, as amended, but service which constitutes employment as defined in section 210(a) of the Social Security Act, as amended (42 U.S.C. 410(a)), may be so taken into account notwithstanding section 115 of the Social Security Amendments of 1954 (42 U.S.C. 410, note) or any other provision of law.

"(h) Subsections (b), (c), (d), (e), (f), and (g) of this section shall apply to the Central Bank for Cooperatives and its personnel and the board of directors of the Central Bank for Cooperatives shall have all the authority and responsibility with respect to personnel of such Central Bank as is vested in the farm credit board of a district or the board of directors of a district bank for cooperatives with respect to personnel of any such district bank under subsection (a) (1) of this section."

SEC. 202. (a) Section 210(a) (6) (B) (ii) of title II of the Social Security Act, as amended (42 U.S.C. 410(a) (6) (B) (ii)), and section 3121(b) (6) (B) (ii) of the Internal Revenue Code of 1954, as amended (26 U.S.C. 3121(b) (6) (B) (ii)), are each amended by inserting "a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives," immediately after the words "employ of" therein.

(b) Section 2680 of title 28, United States Code, is amended by adding at the end thereof the following new subsection:

"(n) Any claim arising from the activities of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives."

(c) Section 102(b) of the Federal Employees Pay Act of 1945, as amended (5 U.S.C. 902(b)), is amended by striking out "and" immediately preceding "(6)" therein and by inserting before the period at the end thereof "; and (7) officers and em-

ployees of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives".

(d) Section 303 of the Government Employees' Incentive Awards Act (5 U.S.C. 2122) is amended by inserting within the parentheses after the words "the Tennessee Valley Authority" the words "or the Central Bank for Cooperatives".

(e) Section 205(e) of the Annual and Sick Leave Act of 1951, as added by section 4(b) of the Act of July 2, 1953 (5 U.S.C. 2064(e)), and section 1 of the Act of December 21, 1944, as amended by section 4(a) of the Act of July 2, 1953 (5 U.S.C. 61b), are each amended by substituting "(C), (H), or (I)" for "(C), or (H)" therein.

SEC. 203. (a) Nothing in this title shall be deemed to amend, alter, repeal, or restrict the application of (1) section 190 of the Revised Statutes (5 U.S.C. 99), relating to the prosecution of claims against the United States by former employees; (2) the Act of August 26, 1950 (5 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and separation of employees for security reasons; (3) section 710(e) of the Defense Production Act of 1950, as amended (50 U.S.C., App., 2160(e)), relating to the authority of the President to provide for an executive reserve training program; or (4) any Act of Congress the violation of which is punishable by a fine or imprisonment, or both.

(b) Any Act of Congress enacted after the effective date of this title and which states that it shall be applicable to agencies or instrumentalities of the United States or to corporations controlled or owned, in whole or in part, by the United States, or to officers and employees of the United States or such agencies or instrumentalities or corporations, shall not be applicable to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees unless such Act specifically so provides by naming such banks.

(c) This title shall become effective January 1, 1960.

Mr. COOLEY. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COOLEY: Strike out all after the enacting clause of the bill, S. 1512, and insert the provisions of the bill, H.R. 6353, as passed, as follows: "That this Act may be cited as the 'Farm Credit Act of 1959'."

"TITLE I—FEDERAL LAND BANKS

"SEC. 101. Section 3 of the Federal Farm Loan Act, as amended, is amended—

"(a) by changing the paragraph thereof relating to the appointment of registrars, appraisers, and examiners (12 U.S.C. 656) to read:

"The Farm Credit Administration shall appoint a farm loan registrar for each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint as many farm credit appraisers and farm credit examiners as it shall deem necessary. Such farm loan registrars, deputy registrars, farm credit appraisers, and farm credit examiners shall have no connection with or interest in any institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: *Provided*, That this limitation shall not apply to persons employed by the Farm Credit Administration on a temporary basis."

"(b) by deleting the paragraph thereof relating to the compensation of appraisers and inspectors (12 U.S.C. 658);

"(c) by deleting the paragraph thereof relating to the employment of certain personnel by the Farm Credit Administration (12 U.S.C. 659); and

"(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

"Sec. 102. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read:

"Any person desiring to secure a loan through a Federal land bank association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the Federal land bank association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act."

"(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751-757), is amended to read:

"Sec. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal, investigation, and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

"(b) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

"(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.

"(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on

any loan in which he is interested, directly or indirectly.

"(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

"(f) Notwithstanding the foregoing provisions of this section—

"(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;

"(2) the Farm Credit Administration may in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and

"(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

"(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve."

"Sec. 103. On the effective date of this title each land bank appraiser shall be transferred from the Farm Credit Administration to the Federal land bank served by him immediately prior to said effective date, without reduction in salary and accumulated leave, unless the Farm Credit Administration, in its discretion, determines that individual appraisers shall be retained as farm credit appraisers. The selection of personnel for transfer or for retention as farm credit appraisers, shall be without regard to section 12 of the Veterans' Preference Act of 1944, as amended (5 U.S.C. 861). Land bank appraisers shall be subject to the same employment conditions as other bank employees after transfer under this section. At least 60 days prior to the effective date of this title the Farm Credit Administration shall notify each land bank appraiser that he is to be transferred to a Federal land bank or that he is to be retained in the Farm Credit Administration. Any land bank appraiser who notifies the Farm Credit Administration in writing at least 30 day before the effective date of this title that he does not desire to accept employment as stated in the notice from the Farm Credit Administration shall be separated from employment on said effective date and such separation shall be deemed involuntary.

"Sec. 104. (a) Section 12 of the Federal Farm Loan Act, as amended (12 U.S.C. 771), is amended by (1) changing the last proviso of paragraph 'Second' thereof to read: 'And

provided further, That any land bank may make loans on an unamortized or partially amortized basis, under rules and regulations issued by the Farm Credit Administration; (2) striking out of paragraph "Seventh" thereof 'loans to any one borrower shall in no case exceed a maximum of \$200,000, but'.

"(b) Section 20 of the Federal Farm Loan Act, as amended, is amended by deleting the second sentence thereof (12 U.S.C. 861, second sentence) and by inserting the following immediately before the period at the end of the last sentence thereof (12 U.S.C. 864, last sentence): ', except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds'.

"(c) The first and second sentences of section 23 of the Federal Farm Loan Act, as amended (12 U.S.C. 901), are amended by substituting 'at the end of each fiscal year' for 'semiannually' therein.

"(d) The first and second sentences of section 24 of the Federal Farm Loan Act, as amended (12 U.S.C. 911), are amended by substituting 'at the end of each fiscal year' for 'semiannually' therein.

"(e) The seventh paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 967), is amended by changing 'land bank appraiser' in the second and third sentences thereof to 'farm credit appraiser'.

"(f) Section 202(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1033), is amended by changing the period at the end thereof to a comma and adding the following: 'and any Federal intermediate credit bank may in its discretion purchase such loans or discounts with or without such endorsement.'

"(g) Section 208(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1093), is amended by changing 'Land bank appraisers' in the first sentence thereof to 'Farm credit appraisers'.

"(h) The Federal Farm Loan Act, as amended (12 U.S.C. 641 et seq.), and any other Act of Congress in which the words appear, are amended by changing 'national farm loan association' and 'national farm loan associations' to 'Federal land bank association' and 'Federal land bank associations', respectively.

"(i) The Federal Farm Loan Act, as amended (12 U.S.C. 641 et seq.), and any other Act of Congress in which the words appear, are amended by changing 'secretary-treasurer' and 'secretary-treasurers', when used to mean the secretary-treasurer of a national farm loan association (herein renamed 'Federal land bank association'), to 'manager' and 'managers', respectively.

"(j) The first sentence of section 5(d) of the Farm Credit Act of 1953 (12 U.S.C. 636d (d) is amended by inserting immediately before the period at the end thereof: '*Provided*, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum'.

"(k) This title shall become effective December 31, 1959.

"TITLE II—STATUS OF FARM CREDIT BANKS AND EMPLOYEES

"Sec. 201. Notwithstanding any other provision of law, and in order to encourage and facilitate increased borrower participation in the management and control of institutions operating under the supervision of the Farm Credit Administration in accordance with the policy declared in section 2 of the Farm Credit Act of 1953 (12 U.S.C., supp. IV, 636a), section 6 of the Farm Credit Act of 1937, as amended (12 U.S.C. 640), is amended—

"(a) by inserting '(a)' immediately following 'Sec. 6', by redesignating subsections '(a)' and '(b)' as paragraphs '(1)' and '(2)', respectively, and by deleting subsection '(c)';

"(b) by adding the following at the end of paragraph (1) of subsection (a) thereof (as

redesignated herein): "The employment, compensation, leave, retirement (except as provided in subsection (e) hereof), hours of duty, and all other conditions of employment of such joint officers and employees employed by the district farm credit board, and of separate officers and employees of the Federal land bank, Federal intermediate credit bank, and bank for cooperatives of the district employed by the board of directors of such banks, shall be determined by the respective boards without regard to the laws from which exemption is granted in this section, but all such determinations shall be consistent with the laws under which such banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The district farm credit board shall, under rules and regulations prescribed by the Farm Credit Administration, provide for veterans' preference and limitations against political activity for such officers and employees substantially similar to the preference and limitations to which such officers and employees were subject upon enactment of this sentence."; and

"(c) by adding the following new subsections after subsection (a) thereof (as redesignated herein):

"(b) The provisions of section 1753 of the Revised Statutes (5 U.S.C. 631) and the Act of January 16, 1883, entitled "An Act to regulate and improve the civil service of the United States", as amended (22 Stat. 403; 5 U.S.C. 632 et seq.), any laws supplementary thereto, including but not limited to the Act of August 24, 1912, as amended (5 U.S.C. 652), section 1 of the Act of November 26, 1940, as amended (5 U.S.C. 631a), and section 1310 of the Supplemental Appropriation Act, 1952, as amended (5 U.S.C. 43, note) and any rules, orders, or regulations promulgated for carrying such Acts or laws into effect, shall not apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(c) The Federal Employees' Compensation Act, as amended (5 U.S.C., ch. 15), shall not be applicable in respect to the injury, disability, or death of any employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives unless such injury, disability, or death (or cause thereof), occurred before January 1, 1960.

"(d) Section 9 of the Hatch Act, as amended (5 U.S.C. 1181), and the Veterans' Preference Act of 1944, as amended (5 U.S.C. 851-869), shall not be deemed to apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(e) Each officer and employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended (5 U.S.C., supp. IV, ch. 30), shall continue so during his continuance as an officer or employee of any such banks without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such banks after December 31, 1959, shall not be covered under the civil service retirement system by reason of such employment, except that (1) a person who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any such banks without break

in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of such banks and, after a break in such employment, again becomes an officer or employee of any such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

"(f) Each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall contribute to the civil service retirement and disability fund, for each fiscal year after June 30, 1960, a sum as provided by section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C. 2254(a)), except that such sums shall be determined by applying to the total basic salaries (as defined in that Act) paid to the employees of said banks who are covered by that Act, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in such section 4(a). Each bank shall also pay into the Treasury as miscellaneous receipts such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees.

"(g) Any Federal land bank, Federal intermediate credit bank, or bank for cooperatives may, subject to the approval of the Farm Credit Administration, establish a retirement system for its officers and employees either separately or jointly with any other corporation under the supervision of the Farm Credit Administration. In determining eligibility for or the amount of any benefit under any such retirement system, there shall not be taken into account any service which is creditable under the Civil Service Retirement Act, as amended, but service which constitutes employment as defined in section 210(a) of the Social Security Act, as amended (42 U.S.C., supp. IV, 410(a)), may be so taken into account notwithstanding section 115 of the Social Security Amendments of 1954 (42 U.S.C., supp. IV., 410, note) or any other provision of law.

"(h) Subsections (b), (c), (d), (e), (f), and (g) of this section shall apply to the Central Bank for Cooperatives and its personnel and the board of directors of the Central Bank for Cooperatives shall have all the authority and responsibility with respect to personnel of such central bank as is vested in the farm credit board of a district or the board of directors of a district bank for cooperatives with respect to personnel of any such district bank under subsection (a)(1) of this section."

"Sec. 202. (a) Section 210(a)(6)(B)(ii) of title II of the Social Security Act, as amended (26 U.S.C., supp. IV, 3121(b)(6)(B)(ii)), and section 3121(b)(6)(B)(ii) of the Internal Revenue Code of 1954, as amended (26 U.S., supp. IV, 3121(b)(6)(B)(ii)), are each amended by inserting 'a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives,' immediately before the words 'a national farm loan association' therein.

"(b) Section 2680 of title 28, United States Code, is amended by adding at the end thereof the following new subsection: '(n) Any claim arising from the activities of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives.'

"(c) Section 102(b) of the Federal Employees Pay Act of 1945, as amended (5 U.S.C. 902(b)), is amended by striking out 'and' immediately preceding '(6)' therein and by inserting before the period at the end thereof "; and (7) officers and employ-

ees of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives'.

"(d) Section 303 of the Government Employees' Incentive Awards Act (5 U.S.C., supp. IV, 2122) is amended by inserting within the parentheses after the words 'the Tennessee Valley Authority' the words 'or the Central Bank for Cooperatives'.

"(e) Section 205(e) of the Annual and Sick Leave Act of 1951, as added by section 4(b) of the Act of July 2, 1953 (5 U.S.C., supp. IV, 2064(e)), and section 1 of the Act of December 21, 1944, as amended by section 4(a) of the Act of July 2, 1953 (5 U.S.C., supp. IV, 61b), are each amended by substituting '(C), (H), or (I)' for '(C), or (H)' therein.

"SEC. 203. (a) Nothing in this title shall be deemed to amend, alter, repeal, or restrict the application of (1) section 190 of the Revised Statutes (5 U.S.C. 99), relating to the prosecution of claims against the United States by former employees; (2) the Act of August 26, 1950 (5 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and separation of employees for security reasons; (3) section 710(e) of the Defense Production Act of 1950, as amended (50 U.S.C., app., supp. IV, 2160(e)), relating to the authority of the President to provide for an executive reserve training program; or (4) any Act of Congress the violation of which is punishable by a fine or imprisonment, or both.

"(b) Any Act of Congress enacted after the effective date of this title and which states that it shall be applicable to agencies or instrumentalities of the United States or to corporations controlled or owned, in whole or in part, by the United States, or to officers and employees of the United States or such agencies or instrumentalities or corporations, shall not be applicable to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees unless such Act specifically so provides by naming such banks.

"(c) This title shall become effective January 1, 1960."

The SPEAKER. The question is on the amendment offered by the gentleman from North Carolina.

The amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill was laid on the table.

LANDS SET ASIDE FOR QUINAUT TRIBE IN WASHINGTON

The Clerk called the bill (H.R. 2188) to set aside certain lands in Washington for Indians of the Quinault Tribe.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That lands heretofore reserved for school purposes at Queets Village, within the Quinault Indian Reservation, State of Washington, and constituting 15.3 acres of land, more or less, in lot numbered 7, section 35, township 24 north, range 13 west, Willamette meridian, a portion of which has been subdivided into lots and partially occupied by certain Quinault Indians, and all of which is surplus to present Government needs, shall be disposed of as follows:

(a) As to lots actually occupied and improved by individual Indians on February 1, 1958, each lot shall be patented to the indi-

vidual occupants in accordance with section 10 of the Act of June 25, 1910 (36 Stat. 855, 858).

(b) All remaining lands of the said 15.3 acres shall be and the same are hereby set aside in trust for the Quinault Tribe of Indians.

With the following committee amendments:

Page 1, line 3, strike out the word "reserved" and insert in lieu thereof the word "purchased".

Page 1, line 8, strike out the word "partially".

Page 1, lines 9 and 10, strike out the words "and all of which is surplus to present Government needs, shall be disposed of as follows:" and insert in lieu thereof the following: "and all of which are surplus to the needs of the Department of the Interior, shall, with the improvements thereon, be disposed of by the Secretary of the Interior as follows:"

Page 1, line 11, through page 2, line 3, strike out all of subsection (a) and insert in lieu thereof the following:

"(a) Lots actually occupied and improved by individual Indians on February 1, 1958, shall be patented in trust to their occupants, as under sections 5 and 6 of the Act of February 8, 1887 (24 Stat. 389), as amended (25 U.S.C. 348, 349), but such lots may nevertheless be alienated to any member of the Quinault Tribe or, with the approval of the Secretary of the Interior, to another in which latter event they shall cease to be trust lands."

Page 2, after line 6, add a new section reading as follows:

"Sec. 2. Prior to disposition of the lands, as provided in section 1 of this Act, the Quinault Tribe of Indians shall have agreed to eliminate from their suit now pending before the Indian Claims Commission under the Act of August 13, 1946 (60 Stat. 1049, any claim based on alleged inadequate compensation for said lands and to renounce any other claim they may have with respect thereto. Neither the lands herein authorized to be disposed of, nor the cost or value of said lands, shall be considered by way of offset under section 2 of said Act. Nothing contained in this Act shall be construed as an admission of liability on the part of the United States with respect to these or any other lands."

Mr. HOFFMAN of Michigan. Mr. Speaker, I move to strike out the last word.

(Mr. HOFFMAN of Michigan asked and was given permission to revise and extend his remarks.)

Mr. HOFFMAN of Michigan. Mr. Speaker, I take this time, before we have a rolcall and before we go to lunch, to call the attention of the Speaker and the Members of the House to the fact that we have appropriated a good many dollars to the Health Department and also to the Food and Drug Administration. This you should know before you go to lunch, especially if you eat over in the House cafeteria: That in the subway I just passed a handtruck carrying raw beef over there. There was a paper over the top, but nothing on the sides to protect it from the sides of the meat—an open space about 3 to 4 feet long, 2½ feet wide.

Last week I noticed a food truck, a little truck—I do not mean a motor-truck, but a hand-pushed truck—taking food through the underground passage with nothing over the top.

Before you go to lunch, I want to let you know that that situation exists here in the Capitol itself. I am not so sure that we are in a position to try to protect public health or the health of millions abroad when we do not protect our own.

The SPEAKER. The question is on the committee amendments.

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

NONNAVIGABLE WATERS IN CHICAGO

The Clerk called the bill (H.R. 7948) to declare nonnavigable a part of the west arm of the south fork of the south branch of the Chicago River, situated in the city of Chicago, in the State of Illinois, as hereinafter described.

There being no objection, the Clerk read the bill, as follows:

Whereas that part of the west arm of the South Fork of the South Branch of the Chicago River situated in the city of Chicago in the State of Illinois hereinafter more particularly described, is not being used and is not usable as a navigable stream and in its present condition is more or less a nuisance; and

Whereas the said city of Chicago owns land bordering on said portion of said stream and wishes to fill in the same: Now, therefore,

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the said portion of said stream described as follows: "That part of the west arm of the South Fork of the South Branch of the Chicago River, as established by the ordinance of the city of Chicago on July 17, 1911, in the southwest quarter of section 32, township 39 north, range 14 east of the third principal meridian, in the city of Chicago, county of Cook, State of Illinois, lying westerly of a straight line drawn from a point in south dock line of the said west arm 203.94 feet westerly of the point of intersection of the south dock line of the said west arm with the west dock line of the east arm of the South Fork of the South Branch of the Chicago River, as established by said city of Chicago ordinance of July 17, 1911, measured along the south dock line of said west arm, thence to a point in the north dock line of the said west arm said point being 278 feet westerly of the intersection of the north dock line of the said west arm with the west dock line of the South Fork of the South Branch of the Chicago River as established by said city of Chicago ordinance of July 17, 1911, measured along the north dock line of said west arm of the South Fork of the South Branch of the Chicago River, is hereby declared to be and is hereafter to be regarded as a nonnavigable body of water."

With the following committee amendments:

On page 1, strike out the preamble.

On page 2, line 3, strike out the words beginning with "said" down through the word "part" in line 4 and insert in lieu thereof "portion".

Page 2, strike out lines 23, 24, and 25, and insert in lieu thereof the following: "of the South Branch of the Chicago River, is hereby declared to be and is hereafter to be

regarded as a nonnavigable water of the United States within the meaning of the Constitution and laws of the United States: *Provided*, That plans for a suitable bulkhead to retain any fill to be placed in the waterway shall be submitted to and approved by the Corps of Engineers, United States Army, prior to the placing of such fill."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

INTERSTATE COMPACTS FOR AIRPORT FACILITIES

The Clerk called the bill (S. 2183) granting the consent of Congress to interstate compacts for the development or operation of airport facilities.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the consent of Congress is hereby given to each of the several States to enter into any agreement or compact, not in conflict with any law of the United States, with any other State or States for the purpose of developing or operating airport facilities. The right to alter, amend, or repeal this Act is expressly reserved.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EXTENSION AND EXPANSION OF REFINANCING LOAN AUTHORITY

The Clerk called the bill (H.R. 7629) to make permanent the authority of the Secretary of Agriculture to make loans under section 17 of the Bankhead-Jones Farm Tenant Act, as amended, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 17 of the Bankhead-Jones Farm Tenant Act, as amended, is amended (1) by striking out at the beginning of such section "Until June 30, 1959, the" and inserting in lieu thereof "The" and (2) by striking out of the second sentence the words "livestock and farm equipment" and inserting in lieu thereof the words "other assets".

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PRESERVATION OF SULLY PLANTATION BUILDINGS

The Clerk called the bill (H.R. 4329) to prohibit the immediate demolition of certain dwellings being acquired in connection with the Chantilly airport site, Virginia, and for other purposes.

Mr. ASPINALL. Mr. Speaker, reserving the right to object, I wonder if the gentleman who wrote the report on this bill will answer a question.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued August 7, 1959
For actions of August 6, 1959
86th-1st, No. 133

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HIGHLIGHTS: Senate agreed to House amendments to bills to: Preserve acreage allotment histories and transfer cotton allotments; extend special milk program. Senate confirmed nomination of Frederick Mueller to be Secretary of Commerce. Sen. Humphrey introduced and discussed farm bill. Sen. Williams, N. J., and others introduced and discussed bill to require registration of crew leaders in farm labor.

HOUSE

1. WATERSHEDS. The Agriculture Committee approved the following watershed work plans: Boggs Creek, Ind.; Gilbert Run, Md.; Marsh Run, Ohio; Martinez Creek, Texas. p. 13981
2. MONOPOLIES. Received from the Justice Department a proposed bill "to amend Section 8 of the Clayton Act relating to interlocking directorates"; to Judiciary Committee. p. 13994
3. ATOMIC ENERGY APPROPRIATION BILL FOR 1960. Both Houses agreed to the conference report on this bill, H. R. 8283 (pp. 13982-4, 13923-20). (See Digest 132 for a list of items of interest to this Department.) This bill will now be sent to the President.

4. TRANSPORTATION. The Merchant Marine and Fisheries Committee reported with amendment H. R. 5068, to amend the Shipping Act of 1916 to provide for licensing independent freight forwarders (H. Rept. 798). p. 13994
5. PERSONNEL. The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 8241, to amend the Civil Service Retirement Act to set terms, conditions, and computation of annuities for retired Members of Congress, who are reemployed by the Federal Government. p. D725
The Post Office and Civil Service Committee announced the appointment of subcommittees for consideration of the following bills: S. 1845 and H. R. 8479, to increase the salaries of Administrative Assistant Secretaries (including this Department) to \$19,000 per annum, and to authorize the Secretary of Commerce to fix the annual rates of basic compensation of certain officers in the Patent Office; H. R. 8542, 8543, to authorize the use of certified mail for the transmission or service of matter required by certain Federal laws to be transmitted or served by registered mail; and S. 1495, to consolidate and revise the laws relating to the employment of aliens in the several States and D. C. p. D725
6. COOPERATIVES. The "Daily Digest" states that the Ways and Means Committee considered a Treasury proposal to provide that cooperatives would be required either to pay dividends in cash or by qualified notes, in which case the notes would be redeemable in 3 years and would bear 4% interest, and that hearings are planned on this proposal in January 1960. p. D726

7. SCIENCE; RESEARCH. The "Daily Digest" states that the Science and Astronautics Committee tabled H. R. 7981, to provide for an immediate study of the need for, the proper composition of, and the most efficient means of obtaining a continuous up-to-date national record of scientific and technical personnel throughout the United States. p. D725-6

8. ADJOURNED until Mon., Aug. 10. p. 13994

SENATE

9. ACREAGE ALLOTMENTS; COTTON. Concurred in the House amendments to S. 1455, to provide for the automatic preservation of farm acreage allotments and for the transfer of cotton acreage allotments. As agreed to the bill provided that, beginning with the 1960 crop, the entire current farm allotment shall be regarded as planted if during the current year or either one of the 2 preceding years the acreage actually planted or devoted to the commodity on the farm (or regarded as planted because of participation in the soil bank) was 75 percent or more of the farm allotment; authorizes the transfer of unused cotton acreage allotments to other farms, first within each county, and then within the State; and exempts from the provisions of the bill acreage allotments on federally owned land. This bill will now be sent to the President. pp. 13948-50
10. MILK. Concurred in the House amendment to S. 1289, to increase by \$6 million (to \$81,000,000), for the fiscal year 1960 and by \$9 million (to \$84,000,000) for the fiscal year 1961 the maximum amount of CCC funds which may be used for the special milk program. This bill will now be sent to the President. pp. 13960-1
11. FARM CREDIT. Concurred in the House amendment to S. 1512, to amend the Federal Farm Loan Act so as to transfer responsibility for making appraisals from FCA to the Federal land banks. This bill will now be sent to the President. pp. 13920-8, 13947-8

cliques that have gained control of some unions.

The bill of rights section was intended to provide a basis for court action if members were unable to secure a voice in union affairs through regular union procedures. The section provided fines and jail penalties for persons convicted of violating or interfering with the rights of union members as they were defined. This penalty section had the effect of bringing the Federal law enforcement machinery to the assistance of union members if they could show reasonable grounds for a complaint being filed.

The bill reported by the House Labor Committee, as it is described in news reports, strips union members of this additional help. In reality, it removes from the bill the major tool for enabling either union members or the Federal Government to take effective action to oust dictatorial bosses and gangster strong-arm cliques from control.

The provision for civil injunction action in the bill is only slightly better than that now available to any union member. It does define by law the rights of a member on which he may base his petition rather than compelling him to rely solely on those defined by the union's constitution and by-laws.

But before civil action may be instituted in the courts, the House bill requires that a member must first spend 6 months trying to get redress through regular union procedures where the cards may be already stacked against him.

A comparison of the Senate bill and the bill reported out by the House committee illustrates why some union officials and their lobbyists have been so vigorous in their opposition to the bill of rights section of the Senate bill.

[From the Houston (Tex.) Chronicle, July 17, 1959]

HOFFA INSOLENCE SHOWS NEED FOR MORE THAN THE KENNEDY BILL

The announcement by the McClellan committee counsel, Robert S. Kennedy, that he plans no further questioning of Teamster boss, James R. Hoffa, probably means the curtain is being drawn on one of the most amazingly successful demonstrations of contempt of Congress in our history. Periodically over the past 2½ years, this associate of racketeers and alleged Reds has appeared before the McClellan rackets probes either to answer pertinent questions with insolence or to have subordinates called who take the fifth amendment. Yet he still rides high.

The final session was typical. Asked for details on a contract the committee holds has secret illegal clauses, Hoffa highhandedly directed the committee to call on Roland McMaster, business agent for the Teamsters. Yet when McMaster went up to testify, Hoffa coached him openly: "Take five," he said, signaling by holding up his open right hand. And McMaster obediently "took five." Three times this procedure was repeated with three different witnesses.

But why is Hoffa permitted to show this disdain for lawfully constituted authority? Others, including the industrialist, Bernard Goldfine, have been penalized for less, yet Hoffa continues not only to defy Congress but to rule the largest independent union in the world. There may be a clue in the observation of KENNEDY that the board of monitors appointed by U.S. District Judge F. Dickinson Letts to oversee Hoffa's administration of Teamsters affairs is preparing to move against Hoffa, to request the court to oust him as president.

The board of monitors has a file of 263 charges against Hoffa. Among these is the evidence provided by Pierre Salinger, committee investigator, that, under terms of his own Teamsters constitution, the vote electing Hoffa president was 56.2 percent il-

legal. The monitors need merely to submit their information to the court upon which Judge Letts would appoint a referee to act.

But even with Hoffa out, there is no guarantee of a cleanup in the Teamsters. Hoffa was the power behind the throne when the bumbling Dave Beck was nominal head. Ousted at this time, he would still rule by indirection as surely as Lucky Luciano rules the Mafia from his banishment in Naples. By the same system through which Hoffa was elected, one of his talented henchmen would go in. The stench of this situation is simply one more reason we must have a strong labor reform bill and not the simple palliative of the Kennedy-Ives bill. The American people must understand this and must make their demands on Congress. Otherwise nothing ever will be done.

FROM ROCKS TO ROSES—THE STORY FROM CARACAS TO WARSAW

Mr. MUNDT. Mr. President, I was one of the thousands of people who on yesterday crammed the National Airport, when Vice President Nixon and his charming wife, Pat, returned to this country from their historic tour of Russia and Poland.

Perhaps no one who has ever traveled to a foreign country, to meet the citizens of an alien land who live under a political philosophy directly opposite to ours, has more completely won the hearts of those people with frankness and friendliness, than has our Vice President NIXON.

As Vice President Nixon spoke briefly, on yesterday, to the crowd at the airport, one thought ran through my mind. He spoke most eloquently of the friendly reception he had received in Warsaw. He said that people threw bushels of roses into the pathway of his automobile, and he said that the people all along the streets exuded friendship.

I contrasted that reception with the reception he received when he toured certain South American countries. There, he and his wife were spat upon and were stoned by crowds of hostile, Communist-led people.

The contrast I thought of was this: In Warsaw, where the people live under Communist rule, the Vice President was enthusiastically and warmly greeted as a representative of our free way of life. In Venezuela, where the people do not have communism, but only sit around and talk about what a wonderful system of government communism is, the people were unfriendly.

To me, that contrast indicates most dramatically that theoretical communism, which the people of Venezuela know about, is much more desirable than the actual communism which the people in Warsaw have. Some of our own fellow travelers and Communist sympathizers in this country might well ponder very carefully that comparison, Mr. President, because I believe that if Communist sympathizers in this country were to do so, they might well conclude, with people living under communism elsewhere, that communism is a more attractive theory than it is a working formula. In practice it produces disillusionment.

Mr. President, I believe that several lessons can well be learned from the short interval of history which took the Vice President of the United States on the big jump from rocks in Venezuela to roses in Warsaw, on his goodwill missions for the people of the United States.

I think the first lesson is clearly this: Communism has its greatest appeal to the people who live farthest from it.

The second lesson is that to people living under communism but once enjoyed freedom—as is true in the case of the people of Poland—the existence of freedom and its demonstration anywhere in the world, as exemplified by Vice President Nixon's visit to Warsaw and to Russia, is a cause of great rejoicing.

The third lesson is, I believe, that the more one knows about communism, the closer he lives to it, and the more intimate his connections with it become, the more he detests and abominates it both as a philosophy and as a way of life.

Mr. President, I believe that if those lessons will be reflected upon, as they have been demonstrated so vividly by the experiences of one great American, Vice President Nixon, in the course of his visits to South America and to Russia and to Poland, all encompassed within the past year or two, everyone in the world can be a better citizen and can look forward with more hope to a world of freedom and tolerance as a consequence of the lessons to be drawn from Vice President Nixon's experiences.

SENATOR RANDOLPH'S VIEWS ON THE PROSPECTIVE EXCHANGE OF VISITS BETWEEN PRESIDENT EISENHOWER AND PREMIER KHRUSHCHEV

Mr. RANDOLPH. Mr. President, on Tuesday, August 4, following President Eisenhower's announcement that he would exchange visits with the Premier of the Soviet Union, I received a telegram from the West Virginia office of the Associated Press, Charleston, W. Va., stating:

Appreciate your concise views on exchange of visits by American-Russian heads of state for inclusion in West Virginia roundup. Thanks and regards.

ASSOCIATED PRESS.

My reply was:

AUGUST 4, 1959.

ASSOCIATED PRESS,
Charleston, W. Va.

In response to your telegram: The arrangement to exchange visits between the President of the United States and the Premier of the Soviet Union is, in my considered opinion, a further affirmative approach to a better understanding not only between the top level leadership of the two countries but between their peoples. We can work with other nations and other peoples in the constant pursuit of peace. We must beware of possible propaganda entrapments, but the search for mutual understanding must be explored vigorously. Informal discussions oftentimes can accomplish the meetings of minds that formal conferences fail to achieve.

JENNINGS RANDOLPH.

RECESS AT GENEVA

Mr. MANSFIELD. Mr. President, I ask unanimous consent, with the approval of the distinguished Senator from

New York, who has been so patient, that I may proceed for 2 minutes in addition to the 3-minute limitation.

The PRESIDING OFFICER. (Mr. BYRD of West Virginia in the chair). Is there objection to the request? The Chair hears none, and the Senator may proceed.

Mr. MANSFIELD. Mr. President, the foreign ministers completed their work at Geneva yesterday. I understand that these meetings, which have been in progress since last May, have gone into recess rather than into actual adjournment.

Whatever the precise form of the termination, it is apparent that the search for reasonable agreement between the Soviet Union and the Western nations is now moving into other channels. It would be easy to pass off the Geneva Conference of Foreign Ministers as a futile, time-consuming exercise leading nowhere. In my opinion that would be an erroneous interpretation, a serious underestimation of its importance. I think it is entirely reasonable to say that we might well be, at the present time, in the midst of another costly Berlin blockade or harassment had this conference not been held. True, we still have to face that possibility for the future. For the moment at least, the Geneva conference has put off the crisis and paved the way for a further search for agreement.

Without the Geneva conference, moreover, it is also reasonable to say that there would have not been a trip by the Vice President to Moscow, or certainly not a trip as constructive and useful as his has proved to be. Nor would there have been, in any likelihood, the coming exchange of visits between the President and Mr. Khrushchev.

So, let me repeat, it is, in my opinion, a smug and carping injustice to depreciate the efforts put forth by the Secretary of State at Geneva and, indeed, other ministers at that meeting. Mr. Herter did the spadework, so to speak, which had to be done if there is to be any lasting constructive results from the Vice President's recent mission and the impending Eisenhower-Khrushchev exchanges.

The Secretary of State set forth at Geneva a fresh and cogent expression of U.S. policy with respect to Germany. It was an expression which made clear for the first time that there exists a basis for reasonable agreement in our policy, derived from the realities of the situation with which we must live in 1959. I would hope that Mr. Khrushchev, when he confers with President Eisenhower, will see that such is the case, as his foreign minister at Geneva apparently did not. There may be at least some ground for this expectation because Mr. Khrushchev characterized as "sober and sensible" nine essentials of policy on Germany and a divided Europe, which I listed in a speech on February 12. And the proposals put forth by Mr. Herter at Geneva do not differ, in great degree, from these nine points.

One would hope that geometry in the Soviet Union is the same as in the United States, and that the theorem applies

that "things equal to the same thing are equal to each other."

Let me recall in summary form at this point these nine suggested essentials of policy, as they were stated on February 12 and developed in subsequent speeches.

First. Stand fast in Berlin, not as a slogan, not as an end in itself, but as the basis for a Western initiative for peace in Europe.

Second. Call upon the German leaders of the East and West Berlin communities to begin serious negotiations for unifying the public services and municipal government of that city.

Third. Enlist the conciliatory services of the Secretary General of the United Nations in the effort to bring about the interim unification and neutralization, not just of West Berlin but of all Berlin; guarantee by U.N. or other international means the free use of the routes of access to the entire city until such time as it became once again the capital of a unified Germany.

Fourth. If this or a similar approach to interim unification and neutralization of all Berlin is not obtained, then continue the Western presence in West Berlin, whether or not the Russians chose to leave the other sector of the city.

Fifth. If forced to maintain the Western presence in West Berlin in such circumstances, however, consider seriously withdrawing the garrisons of French, British, and American forces from the city and replacing them with West Germans supported by NATO guarantees.

Sixth. Call upon the Germans in authority in West and East Germany to talk, to talk a great deal on the whole range of problems involved in harmonizing the political, economic, and military systems of the two zones as an essential preliminary step to the unification of Germany.

Seventh. Call upon the East German Communists and the Russians to permit the exercise, without the threat of terror, of basic political freedoms in the Eastern zone, as a preliminary to reunification.

Eighth. Seek agreements between the Soviet Union and the Western allies to guarantee for a period of years the kind of unified Germany which might emerge from German discussions, and see to it that a reunited Germany is neither subjected to military pressures by its neighbors nor becomes a source of aggressive military pressure on them.

Ninth. To that end, consider agreements for the control and limitation of armaments in Germany and central Europe along the lines of the Eden plan, the Rapacki plan, and similar plans, predicating them on satisfactory agreements being reached at the Geneva Conferences on the Prevention of Surprise Attacks and the Suspension of Nuclear Testing.

Mr. President, when these proposals were advanced initially, there was a great deal of comment on them both at home and abroad. Some of it was critical and some of the criticism was little short of an expression of shocked disbelief. But since that time, we have, in fact, witnessed an evolution of United States and

Western policy with respect to Germany in the direction of these proposals.

This Nation went into the present Geneva Conference with a general approach which represented a sharp modification of the policies to which we had clung for years. The new approach has made it evident that, while we would stand fast in Berlin, we would do so not as an end in itself, but as the basis for moving toward a reasonable settlement of basic Berlin, German, and European problems. Beyond standing fast, we have suggested at Geneva specific plans for bringing about negotiations for the reunification of the public services and municipal government of that city. We have called for a phased reunification of all Germany based upon extensive contact and extensive talk on the part of the German authorities of the East and West prior to free, all-German elections. We have sought the restoration of the right of open political activity for all Germans, free of terror and legal reprisals, in both zones. We have expressed our willingness to seek agreements between the Soviet Union and the Western nations to guarantee a unified Germany and its neighbors against aggression. We have noted our willingness to consider limiting the level of armaments in both parts of Germany and a reduction in foreign forces in that country—a position which seems to me to encompass the basic philosophy of the Eden and Rapacki plans.

In more recent weeks, moreover, there have been indications that the Western nations are prepared to consider bringing the United Nations Secretary General into the situation at Berlin, and we have also given assurances that we are willing to refrain from arming our forces in Berlin with nonconventional weapons and that we are ready to limit our forces in that city if it will help to achieve agreement. In short, Mr. President, on the eight points of the nine essentials—and only eight are applicable at this time—there have been significant changes of direction or expression in U.S. foreign policy in an effort to bring about a thaw, to end the rigidity.

So I repeat, Mr. President, a basis for reasonable agreement has been set forth at Geneva by the Western nations. That had needed doing for a long time. It has now been done, in a highly effective manner by the Secretary of State. From this achievement has flowed the highly successful mission of the Vice President to Russia and Poland. From it, too, is derived such hope as may be reposed in the coming Eisenhower-Khrushchev meetings. The Secretary of State and his staff have performed a distinguished public service at Geneva. I do not think that the Senate should lose sight of it in the dazzling new developments which are now taking place.

AMENDMENT OF FEDERAL FARM LOAN ACT, RELATING TO TRANSFER OF RESPONSIBILITY FOR MAKING APPRAISALS

Mr. HOLLAND. Mr. President, I ask that the Chair lay before the Senate the

amendment of the House of Representatives to Senate bill 1512.

Mr. FULBRIGHT. Mr. President, are we still in the morning hour?

The PRESIDING OFFICER. The Senate is still in the morning hour. The matter referred to by the Senator from Florida is a privileged matter.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 1512) to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes, which was to strike out all after the enacting clause and insert:

That this Act may be cited as the "Farm Credit Act of 1959".

TITLE I—FEDERAL LAND BANKS

SEC. 101. Section 3 of the Federal Farm Loan Act, as amended, is amended—

(a) by changing the paragraph thereof relating to the appointment of registrars, appraisers, and examiners (12 U.S.C. 656) to read:

"The Farm Credit Administration shall appoint a farm loan registrar for each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint as many farm credit appraisers and farm credit examiners as it shall deem necessary. Such farm loan registrars, deputy registrars, farm credit appraisers, and farm credit examiners shall have no connection with or interest in any institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: *Provided*, That this limitation shall not apply to persons employed by the Farm Credit Administration on a temporary basis."

(b) by deleting the paragraph thereof relating to the compensation of appraisers and inspectors (12 U.S.C. 658);

(c) by deleting the paragraph thereof relating to the employment of certain personnel by the Farm Credit Administration (12 U.S.C. 659); and

(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

SEC. 102. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read:

"Any person desiring to secure a loan through a Federal land bank association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the Federal land bank association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act."

(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751-757), is amended to read:

"SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of

the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal, investigation, and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

"(b) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

"(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.

"(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.

"(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

"(f) Notwithstanding the foregoing provisions of this section—

"(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;

"(2) the Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and

"(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

"(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm

Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve."

SEC. 103. On the effective date of this title each land bank appraiser shall be transferred from the Farm Credit Administration to the Federal land bank served by him immediately prior to said effective date, without reduction in salary and accumulated leave, unless the Farm Credit Administration, in its discretion, determines that individual appraisers shall be retained as farm credit appraisers. The selection of personnel for transfer, or for retention as farm credit appraisers, shall be without regard to section 12 of the Veterans' Preference Act of 1944, as amended (45 U.S.C. 861). Land bank appraisers shall be subject to the same employment conditions as other bank employees after transfer under this section. At least sixty days prior to the effective date of this title the Farm Credit Administration shall notify each land bank appraiser that he is to be transferred to a Federal land bank or that he is to be retained in the Farm Credit Administration. Any land bank appraiser who notifies the Farm Credit Administration in writing at least thirty days before the effective date of this title that he does not desire to accept employment as stated in the notice from the Farm Credit Administration shall be separated from employment on said effective date and such separation shall be deemed involuntary.

SEC. 104. (a) Section 12 of the Federal Farm Loan Act, as amended (12 U.S.C. 771), is amended by (1) changing the last proviso of paragraph "Second" thereof to read: "*And provided further*, That any land bank may make loans on an unamortized or partially amortized basis, under rules and regulations issued by the Farm Credit Administration."; (2) striking out of paragraph "Seventh" thereof "loans to any one borrower shall in no case exceed a maximum of \$200,000, but".

(b) Section 20 of the Federal Farm Loan Act, as amended, is amended by deleting the second sentence thereof (12 U.S.C. 861, second sentence) and by inserting the following immediately before the period at the end of the last sentence thereof (12 U.S.C. 864, last sentence): "except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds.

(c) The first and second sentences of section 23 of the Federal Farm Loan Act, as amended (12 U.S.C. 901), are amended by substituting "at the end of each fiscal year" for "semiannually" therein.

(d) The first and second sentences of section 24 of the Federal Farm Loan Act, as amended (12 U.S.C. 911), are amended by substituting "at the end of each fiscal year" for "semiannually" therein.

(e) The seventh paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 967), is amended by changing "land bank appraiser" in the second and third sentences thereof to "farm credit appraiser".

(f) Section 202(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1033), is amended by changing the period at the end thereof to a comma and adding the following: "and any Federal intermediate credit bank may in its discretion purchase such

loans or discounts with or without such endorsement."

(g) Section 208(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1093), is amended by changing "Land bank appraisers" in the first sentence thereof to "Farm Credit appraisers".

(h) The Federal Farm Loan Act, as amended (12 U.S.C. 641 et seq.), and any other Act of Congress in which the words appear, are amended by changing "national farm loan association" and "national farm loan associations" to "Federal land bank association" and "Federal land bank associations", respectively.

(i) The Federal Farm Loan Act, as amended (12 U.S.C. 641 et seq.), and any other Act of Congress in which the words appear, are amended by changing "secretary-treasurer" and "secretary-treasurers", when used to mean the secretary-treasurer of a national farm loan association (herein renamed "Federal land bank association"), to "manager" and "managers", respectively.

(j) The first sentence of section 5(d) of the Farm Credit Act of 1953 (12 U.S.C. 636 (d)) is amended by inserting immediately before the period at the end thereof: "Provided, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum."

(k) This title shall become effective December 31, 1959.

TITLE II—STATUS OF FARM CREDIT BANKS AND EMPLOYEES

SEC. 201. Notwithstanding any other provision of law, and in order to encourage and facilitate increased borrower participation in the management and control of institutions operating under the supervision of the Farm Credit Administration in accordance with the policy declared in section 2 of the Farm Credit Act of 1953 (12 U.S.C., supp. IV, 636a), section 6 of the Farm Credit Act of 1937, as amended (12 U.S.C. 640l), is amended—

(a) by inserting "(a)" immediately following "Sec. 6.", by redesignating subsections "(a)" and "(b)" as paragraphs "(1)" and "(2)", respectively, and by deleting subsection "(c)";

(b) by adding the following at the end of paragraph (1) of subsection (a) thereof (as redesignated herein): "The employment, compensation, leave, retirement (except as provided in subsection (e) hereof), hours of duty, and all other conditions of employment of such joint officers and employees employed by the district farm credit board, and of separate officers and employees of the Federal land bank, Federal intermediate credit bank, and bank for cooperatives of the district employed by the board of directors of such banks, shall be determined by the respective boards without regard to the laws from which exemption is granted in this section, but all such determinations shall be consistent with the laws under which such banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The district farm credit board shall, under rules and regulations prescribed by the Farm Credit Administration, provide for veterans' preference and limitations against political activity for such officers and employees substantially similar to the preference and limitations to which such officers and employees were subject upon enactment of this sentence."; and

(c) by adding the following new subsections after subsection (a) thereof (as redesignated herein):

"(b) The provisions of section 1753 of the Revised Statutes (5 U.S.C. 631) and the Act of January 16, 1883, entitled 'An Act to regulate and improve the civil service of the United States', as amended (22 Stat. 403; 5

U.S.C. 632 et seq.), any laws supplementary thereto, including but not limited to the Act of August 24, 1912, as amended (5 U.S.C. 652), section 1 of the Act of November 26, 1940, as amended (5 U.S.C. 631a), and section 1310 of the Supplemental Appropriation Act, 1952, as amended (5 U.S.C. 43, note), and any rules, orders, or regulations promulgated for carrying such Acts or laws into effect, shall not apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(c) The Federal Employees' Compensation Act, as amended (5 U.S.C., ch. 15), shall not be applicable in respect to the injury, disability, or death of any employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives unless such injury, disability, or death (or cause thereof) occurred before January 1, 1960."

"(d) Section 9 of the Hatch Act, as amended (5 U.S.C. 1181), and the Veterans' Preference Act of 1944, as amended (5 U.S.C. 851-869), shall not be deemed to apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(e) Each officer and employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended (5 U.S.C., supp. IV, ch. 30), shall continue so during his continuance as an officer or employee of any such banks without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such bank after December 31, 1959, shall not be covered under the civil service retirement system by reason of such employment, except that (1) a person who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any such banks without break in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of such banks and, after a break in such employment, again becomes an officer or employee of any such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

"(f) Each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall contribute to the civil service retirement and disability fund, for each fiscal year after June 30, 1960, a sum as provided by section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C. 2254(a)), except that such sum shall be determined by applying to the total basic salaries (as defined in that Act) paid to the employees of said banks who are covered by that Act, the percentage rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost percentage rate of the civil service retirement system over the employee deduction rate specified in such section 4(a). Each bank shall also pay into the Treasury as miscellaneous receipts such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees.

"(g) Any Federal land bank, Federal intermediate credit bank, or bank for cooperatives may, subject to the approval of the Farm Credit Administration, establish a retirement system for its officers and employees either separately or jointly with any other corporation under the supervision of the Farm Credit Administration. In deter-

mining eligibility for or the amount of any benefit under any such retirement system, there shall not be taken into account any service which is creditable under the Civil Service Retirement Act, as amended, but service which constitutes employment as defined in section 210(a) of the Social Security Act, as amended (42 U.S.C., supp. IV, 410 (a)), may be so taken into account notwithstanding section 115 of the Social Security Amendments of 1954 (42 U.S.C., supp. IV, 410, note) or any other provision of law.

"(h) Subsections (b), (c), (d), (e), (f), and (g) of this section shall apply to the Central Bank for Cooperatives and its personnel and the board of directors of the Central Bank for Cooperatives shall have all the authority and responsibility with respect to personnel of such central bank as is vested in the farm credit board of a district or the board of directors of a district bank for cooperatives with respect to personnel of any such district bank under subsection (a) (1) of this section."

SEC. 202. (a) Section 210(a) (6) (B) (ii) of title II of the Social Security Act, as amended (42 U.S.C. supp. IV, 410(a) (6) (B) (iii)), and section 3121(b) (6) (B) (ii) of the Internal Revenue Code of 1954, as amended (26 U.S.C., supp. IV, 3121(b) (6) (B) (ii)), are each amended by inserting "a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives," immediately before the words "a national farm loan association" therein.

(b) Section 2680 of title 28, United States Code, is amended by adding at the end thereof the following new subsection: "(n) Any claim arising from the activities of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives."

(c) Section 102(b) of the Federal Employees Pay Act of 1945, as amended (5 U.S.C. 902(b)), is amended by striking out "and" immediately preceding "(6)" therein and by inserting before the period at the end thereof: "and (7) officers and employees of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives."

(d) Section 303 of the Government Employees Incentive Awards Act (5 U.S.C., supp. IV, 2122) is amended by inserting within the parentheses after the words "the Tennessee Valley Authority" the words "or the Central Bank for Cooperatives".

(e) Section 205(e) of the Annual and Sick Leave Act of 1951, as added by section 4(b) of the Act of July 2, 1953 (5 U.S.C., supp. IV, 2064(e)), and section 1 of the Act of December 21, 1944, as amended by section 4(a) of the Act of July 2, 1953 (5 U.S.C., supp. IV, 61b), are each amended by substituting "(C), (H), or (I)" for "(C), or (H)" therein.

SEC. 203. (a) Nothing in this title shall be deemed to amend, alter, repeal, or restrict the application of (1) section 190 of the Revised Statutes (5 U.S.C. 99), relating to the prosecution of claims against the United States by former employees; (2) the Act of August 26, 1950 (5 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and separation of employees for security reasons; (3) section 710(e) of the Defense Production Act of 1950, as amended (50 U.S.C., app., supp. IV, 2160 (e)), relating to the authority of the President to provide for an executive reserve training program; or (4) any Act of Congress the violation of which is punishable by a fine or imprisonment, or both.

(b) Any Act of Congress enacted after the effective date of this title and which states that it shall be applicable to agencies or instrumentalities of the United States or to corporations controlled or owned, in whole or in part, by the United States, or to officers and employees of the United States or such agencies or instrumentalities or corporations, shall not be applicable to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors,

officers, or employees unless such Act specifically so provides by naming such banks.

(c) This title shall become effective January 1, 1960.

Mr. HOLLAND. Mr. President, the situation involving the House amendment, in which I am going to ask the Senate to concur, is as follows: Some time ago, the Senate passed S. 1512, relating to the Farm Credit Administration, which was a carefully studied bill reported from the Senate Committee on Agriculture and Forestry unanimously, and representing the reduced request of the Federal Farm Credit Board.

Two or three of their requests, which were minor, the committee felt should be denied because of some controversy having arisen.

When the bill went to the House, the House proceeded to pass its own bill with one amendment, that amendment being the only part of the House bill which differs in any substantial way at all from the Senate bill.

I have had counsel for the Senate committee carefully check the House bill, and in a written statement from Mr. Harker T. Stanton, counsel for the Senate committee, he states there is no substantial difference other than this one amendment to which I shall refer, the other differences being matters of punctuation and the like.

The one amendment is a substantial amendment, and before we decided what to ask the Senate to do about it, I followed this course: Serving as chairman of the subcommittee which had handled the bill, I conferred with the chairman of the full committee, the Senator from Louisiana [Mr. ELLENDER], and with the ranking minority member, the Senator from Vermont [Mr. AIKEN], both of whom, after some study, decided, as I had decided, that it would be advisable for us to concur in the House amendment.

I may say that the Board of the Farm Credit Administration asked us in writing to concur in the amendment. I shall ask that their letter be included in the RECORD.

Mr. President, both the Senate bill and the original House bill were addressed to the single objective of trying to bring about more grower-borrower ownership and control of the units of the Farm Credit Administration, and particularly the Federal land banks and their associations. As to the substance of the amendment, both original bills provided that all the civil service laws and regulations and requirements applicable to the employees of these institutions, from 1,500 to 1,600 in number, should be canceled, except the one having to do with their retirement privileges. Since all the employees up to this time have vested interests in the retirement fund, some of them of long duration, the Senate bill provided simply that the retirement privilege should be continued exactly as in the case of its earlier application; that is, by the employees paying 6½ percent of their salaries and the employers out of their own funds paying 6½ percent.

When the bill reached the House, both the Civil Service Commission and the

chairman of the Civil Service Committee in the House of Representatives, after study, decided that the Senate provision did not go far enough in its requirements of the employers—that is, the units of the Farm Credit Administration—because of the fact that the program is not entirely self-supporting at present, but is operating with some deficit, so that it does not completely carry itself. So the amendment proposed in the House and adopted in the House provided, in substance, what the House believed the employers should pay.

I ask unanimous consent that the amendment be printed in the RECORD at this point.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

AMENDMENT TO H.R. 6353

Page 14, strike out lines 8 to 17, inclusive, and insert in lieu thereof the following:

"(f) Each Federal land bank, Federal intermediate credit bank, and bank for co-operatives shall contribute to the civil service retirement and disability fund, for each fiscal year after June 30, 1960, a sum as provided by section 4 (a) of the Civil Service Retirement Act, as amended (5 U. S. C. 2254 (a)), except that such sum shall be determined by applying to the total basic salaries (as defined in that act) paid to the employees of said banks who are covered by that Act, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in such section 4 (a). Each bank shall also pay into the Treasury as miscellaneous receipts such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees."

Mr. HOLLAND. Mr. President, the amendment provides that instead of paying 6½ percent, the employers shall pay whatever percent is found in each year by the Civil Service Commission to be necessary to carry the normal cost of the program. For this first year it is estimated at 7 percent rather than 6½ percent. It may be more in the future. Indications are that it probably will be. Whatever it is, the banking institutions will have to pay it.

In addition as provided by both the Senate bill and the House amendment, they must pay their fair share of the cost of the administration of the program as reported by the Civil Service Commission from year to year.

Mr. President, it is with that amendment that we are dealing, and it is that amendment in which I ask the Senate to concur.

I may say that I have conferred, as a matter of course, and as a matter of trying to do the right thing, with the distinguished chairman of the Committee on Post Office and Civil Service, the Senator from South Carolina [Mr. JOHNSTON], and with the distinguished ranking minority member, the Senator from Kansas [Mr. CARLSON], so that they would have full opportunity to apprise themselves of what has been done.

I have also conferred in some detail with my distinguished colleague the Sen-

ator from Delaware [Mr. WILLIAMS], a member of the Agriculture and Forestry Committee and a member of the subcommittee which had considered this bill.

After full notice and with those Senators present, I am asking the Senate to concur in the House amendment.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Delaware?

Mr. HOLLAND. May I yield first to the distinguished Senator from South Carolina? I have conferred with him at some length. He is the chairman of the Senate Post Office and Civil Service Committee, and I understand he has had contact with the Civil Service Commission, and perhaps with the House committee, although I am not sure of that. So I think it would be appropriate for the Senator from South Carolina to make his statement first, and I yield to him, if I may.

Mr. JOHNSTON of South Carolina. Mr. President, I wish to invite attention to the fact that certain provisions of title II of S. 1512 violate accepted principles of a good staff retirement system. I refer to the provisions which would continue coverage under the Civil Service Retirement Act for present bank employees after they cease to be employees of the United States.

The Civil Service Retirement Act comes within the jurisdiction of the Committee on Post Office and Civil Service, of which I have the honor to be chairman. This retirement act establishes a staff retirement plan for civilian employees of the United States. All of its benefits, and likewise all its obligations, are based on the existence of an employer-employee relationship between the Government and the individual. In other words, coverage applies, and retirement credit is allowed, only for periods in which the Government is the employer. Worded another way, credit for retirement purposes accrues only when the individual is an employee of Uncle Sam.

By the terms of S. 1512, employees of the Federal land banks, Federal intermediate credit banks, and banks for co-operatives will cease to be Federal employees on December 31, 1959.

This was made quite clear by the distinguished Senator from Florida [Mr. HOLLAND], the floor manager of the bill, when he stated as follows on July 16 when the bill was first before the Senate for consideration:

The personnel of such banks are, therefore, more like private business employees than Government employees. However, they are subject to numerous statutes as Government employees, and it is the purpose of this bill to correct that situation by making such statutes inapplicable to these employees. The specific statutes are set out and described on pages 7, 8, and 9 of the committee report. Employees already covered by the Civil Service Retirement Act would continue subject to that act, while the Social Security Act would be made applicable to new employees. It is intended that such new employees would also be covered by District retirement plans.

The Senator from Florida [Mr. HOLLAND] continued:

Mr. President, it is quite obvious that this is but another step in carrying out the general intent of Congress as made plain back in 1953, that these institutions shall not only become borrower owned and borrower managed, but that their employees may be regarded as employees of private institutions rather than as Government employees.

Mr. President, this statement certainly makes it clear that these employees will in the future be private employees and not Federal employees. Yet notwithstanding this, under the terms of the bill they will continue to receive credit for future service for retirement purposes.

In the future they are employees of the banks, and the banks as their employers should assume responsibility for retirement benefits for service from and after January 1, 1960. The bill, however, continues these present employees under the Civil Service Retirement Act until they eventually retire or are otherwise separated. This action for the first time in history grants retirement credit and gives coverage to individuals who are not Federal employees.

Mr. President, this action should not be considered as a precedent for the future or with respect to any other group.

Mr. President, I do not know why the report on this bill, filed in the Senate on June 5, failed to contain the adverse report of the Civil Service Commission with respect to this particular provision. The report of the Commission is dated April 23, 1959. Certainly, it should have been made a part of the report so that the Senate would have had the full picture. While it does little good to now lock the barn door, I ask unanimous consent that the report of the Commission be printed in the RECORD following my remarks.

The PRESIDING OFFICER. Is there objection to the request of the Senator from South Carolina? The Chair hears none, and it is so ordered.

(See exhibit 1.)

Mr. JOHNSTON of South Carolina. Mr. President, I notice in one paragraph the statement is made:

The Commission endorses the basic purposes of the bill, but objects to the provisions which would permit employees of these organizations to continue under the Civil Service Retirement Act.

Mr. President, my purpose in making these comments at this time is simply to establish for the record that the action taken in respect in this bill will in no wise establish a precedent for the future, when there is a transfer of employees from the Federal Government to private industry or from the Federal Government to State governments.

I think the financial integrity of the civil service retirement system must be protected, and this can be done only if coverage thereunder is limited strictly and without exception to bona fide Federal service.

Mr. President, I am not objecting, but I want to make sure this will not be considered a precedent. We have to be sure of what we do, for the protection of the civil service retirement fund.

EXHIBIT 1

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., April 23, 1959.

Senator ALLEN J. ELLENDER,
Chairman, Senate Agriculture and Forestry
Committee, U.S. Senate, Washington,
D.C.

DEAR SENATOR ELLENDER: At the request of a member of your committee's staff, we are submitting herewith the views of the Civil Service Commission on S. 1513, a bill "to clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees, and for other purposes."

The principal purpose of the draft bill is to provide that officers and employees of the lending institutions under the supervision of the Farm Credit Administration shall no longer be considered as Federal employees for all personnel purposes other than retirement. With respect to retirement, the bill provides: (1) those officers or employees subject to the Civil Service Retirement Act on December 31, 1959, would retain such coverage as long as they remained in bank employment without break in service; (2) persons having civil service retirement coverage in other employment on December 31, 1959, and subsequently appointed to bank positions without a break in service would remain under the Retirement Act; (3) persons who were once subject to the Retirement Act as bank employees could, after a break in service and upon later appointment to bank positions, elect to secure retirement coverage; and (4) officers and employees not having retirement coverage on December 31, 1959, and those appointed after that date, would not acquire such coverage.

The Commission endorses the basic purposes of the bill, but objects to the provisions which would permit employees of these organizations to continue under the Civil Service Retirement Act.

Because we concur with the position that employees of these institutions are to be considered as non-Government employees, we cannot agree with the proposal that some of them continue to be covered by the Civil Service Retirement Act. The Civil Service Retirement Act establishes a staff retirement system as part of the personnel program of the United States. The system is designed solely for the retirement of Federal and District of Columbia employees. It is intended to provide benefits as an award for faithful service to the Government. All of its obligations and all of its benefits stem directly from the employer-employee relationship which exists between the United States and the employee. Annuity benefits are given only for periods of service in this employer-employee relationship.

To depart from this concept would necessitate the substitution of some other criterion as to when the United States should be obligated to provide retirement coverage and benefits for periods of non-Federal employment. We do not believe any line could be drawn which would in fairness distinguish between different groups of non-Federal employees.

We do not believe that our position in this matter would be unfair to the employees of these institutions. The Retirement Act vests in an employee with at least 5 years' civilian employment a right to an annuity beginning at age 62, thus fulfilling any reasonable obligation the Government might have to provide retirement benefits to an individual who spends only a part of his working career in the Federal service. Employees with 30 years of service who attain the age of 55 could receive immediate annuities under the act. Furthermore, since separation from the Federal service (resulting from passage of S. 1513) would be involuntary, employees who

had served 25 years or who had reached age 50 and completed 20 years of service would be eligible for immediate annuity. These annuities would be payable regardless of whether the individual later becomes entitled to social security benefits and benefits under the bank's retirement system.

If the banks desire to guarantee that a possible loss does not occur, their retirement plans could incorporate a provision whereby the benefit, when combined with social security and civil service retirement benefits, could not be less than what would have been payable to the employee had he remained under the Civil Service Retirement Act.

The Bureau of the Budget advises that although it has no objection to the submission of this report to your committee, the Bureau cleared for transmittal to Congress the Farm Credit Administration's draft bill which has been introduced as S. 1513 and which provides for Retirement Act coverage for these employees after their Federal status is terminated.

By direction of the Commission.

Sincerely yours,

Chairman.

Mr. HOLLAND. Mr. President, I fully recognize the importance of the matter, and the accuracy of the statement made by the distinguished Senator from South Carolina.

Mr. President, I should like to have printed in the RECORD at this point in my remarks the letter to which I referred to in my earlier remarks, from Earl H. Brockman, Chairman of the Federal Farm Credit Board, requesting acceptance of the House amendment.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FARM CREDIT ADMINISTRATION,
Washington, D.C., August 3, 1959.

HON. SPESSARD L. HOLLAND,
Chairman, Subcommittee on Agricultural
Credit and Rural Electrification, Com-
mittee on Agriculture and Forestry, U.S.
Senate.

DEAR SENATOR HOLLAND: The House of Representatives today passed, with an amendment, the farm credit bill (S. 1512) which the Senate passed on July 16. The amendment, offered by Congressman MURRAY, chairman of the Post Office and Civil Service Committee, would require the farm credit banks to contribute to the civil service retirement and disability fund an additional amount estimated at one-half of 1 percent of payroll for the approximately 1,500 employees who will remain under the civil service retirement system under the terms of the bill. The banks now contribute 6½ percent of payroll to that fund, a percentage which is matched by the employees of the banks. Therefore, in the future, the banks would contribute to the fund a sum equal to some 7 percent of payroll which, together with the 6½ percent paid by the employees, would cover the normal cost of the fund for the future for all of the bank employees affected.

The Federal Farm Credit Board, at its meeting today, voted to recommend Senate approval of the Murray amendment adopted by the House and respectfully requests your assistance in obtaining Senate concurrence in this amendment as soon as possible. There is enclosed a copy of the amendment, together with an explanation thereof, which was sent to us by members of the staff of the House Post Office and Civil Service Committee.

Except as explained above, the bill as passed by the House is identical in substance to the bill passed by the Senate on July 16.

On behalf of the Board, I wish to express to you our sincere appreciation of your efforts

in the passage of this legislation and your continued interest in the farm credit system.

Very truly yours,

EARL H. BROCKMAN,
Chairman, Federal Farm Credit Board.

Mr. HOLLAND. Mr. President, I also ask unanimous consent to have printed in the RECORD the memorandum from Harker T. Stanton, counsel for the Senate Committee on Agriculture and Forestry, reporting on the substance and meaning of the amendment.

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

MEMORANDUM FOR SENATOR HOLLAND

Except for the amendment proposed by Congressman MURRAY and accepted by the House, the House amendment to S. 1512 is identical in substance to the bill as passed by the Senate.

The Murray amendment requires the 37 farm credit banks in the future to pay into the civil service retirement fund with respect to those employees retained under civil service retirement the amount by which the total normal cost for retirement coverage for these employees exceeds the amount contributed by the employees, while the Senate bill requires the banks to pay an amount equal to that paid by the employees (that being the amount required by sec. 4(a) of the Civil Service Retirement Act to be paid out of agency funds). On the basis of present normal costs the banks would, under this amendment, pay an estimated 7 percent of payroll instead of 6½ percent.

Under both the Senate bill and the House amendment the banks, in addition, would pay their fair share of the estimated cost of administration of the fund.

There are a number of minor technical differences between the Senate bill and the House amendment, none of which appear to be significant.

Respectfully,

HARKER T. STANTON,
Counsel, Senate Committee on Agriculture and Forestry.

AUGUST 4, 1959.

Mr. HOLLAND. Mr. President, I earlier asked unanimous consent to have printed in the RECORD a copy of the amendment. For the situation presented it is not easy to find a completely satisfactory answer. We are considering some 1,500 to 1,600 employees, some of whom are on the verge of retirement and some of whom have been in employment for many years, though some have been employed only a short while. We cut off all that group from later employees, and we provide for their equities in the civil service retirement program to be continued, but it seems to me we do so on the soundest basis from the Government standpoint that would be possible; that is, by specifically requiring, under the House amendment, that whatever is the cost it must be met by increased payments by the employers, payments greater than those which the Government is making, and also that the fair part of the administrative cost shall be paid, in addition.

Except for that kind of handling, Mr. President, a grave injustice could be done one way or another.

First, there is a possible injustice to the employees themselves.

Second, if the employees should elect to leave these concerns and go to other Government agencies, a hardship would be sustained by the employers, who

would be deprived of their long time and experienced employees.

Third, I wish to point out that there will probably be no other program exactly like this, because these companies, which are not new at all, are simply being gradually taken away from their former Federal links financially, in that the companies are reducing and retiring their obligations to the Federal Government. The Federal Land Banks have completely retired their obligations and are completely grower- and user-owned. The other institutions are partly so, and the Federal Government still has a substantial interest in them, and still has, through the Directors of the Farm Credit Administration, very sizable jurisdiction over them. As a matter of fact, the Federal Government has some jurisdiction and always will have some jurisdiction over the Federal land banks and over their associations, so it cannot be really said these groups are completely being divorced from the Government as, for instance, a contractor would be, or a private business would be, or a lawyer going out into practice from former employment in the Government would be, because there will always be this link with the Government. This is recognized by the fact that the President appoints 12 of the 13 Directors, and the Secretary of Agriculture appoints the other one. It is also recognized by the fact that considerable regulatory power is continued under the permanent legislation on the part of the directors of the Farm Credit Administration over all of the unit institutions.

I do not know of any more fair solution of this matter than that which has been worked out by the House of Representatives. I am very frank to say I think it is a more fair solution for the matter than the one which was offered in the Senate bill we originally passed. I am glad the amendment has been adopted, and I am more than happy to support its acceptance by the Senate.

Mr. CARLSON rose.

Mr. HOLLAND. Mr. President, if I may, I should now like to yield to the ranking minority member of the Committee on Post Office and Civil Service, the Senator from Kansas [Mr. CARLSON].

Mr. CARLSON. Mr. President, I wish to thank the distinguished chairman of the committee handling this proposed legislation. I support the motion to concur in the amendment, but I do so with some reservations.

I think the record ought to be made absolutely clear, and the distinguished chairman of the Committee on Post Office and Civil Service has already done so. While this might be considered to be a precedent, we must not let it become a precedent for future legislation. There is no question about it being a new phase of taking care of our employees.

I think it might be well, for the record to give a little history in regard to this particular legislation and in regard to the retirement of these employees.

In 1942 the Retirement Act was amended to cover all employees in the excepted civil service. The farm credit district employees were but a small segment of that large group.

Sometime prior to that, farm credit banks had engaged in actuarial consultant at a cost of \$5,000 to develop a private retirement program for their employees. The program developed was an excellent one with benefits substantially equal to those of the Retirement Act at that time. The plan provided that the total cost of prior service of employees would be funded, either immediately or on an installment basis.

The districts were on the verge of installing the program when the 1942 amendment to the Retirement Act was reported in both Houses of Congress.

In other words, the districts had made plans originally to take care of their employees, but then the Retirement Act was passed, and those employees were included under the Retirement Act of 1942.

Since the Civil Service Commission would have authority to administer the amended act, farm credit attorneys questioned the Commission on the effect the amendment would have on district employees if it became law. The Commission replied that the amendment would apply to the wholly Government-owned banks and corporations, but not to the others. The Commission also advised that there was no choice in the matter and that retirement deductions were mandatory. This decision did two things. First, it split the organization in each district as far as retirement benefits were concerned, providing coverage under the act to the employees of the Federal intermediate credit banks and the production credit corporations and denying this coverage to employees of the Federal land banks and the banks for cooperatives. Secondly, it made it impossible to proceed with the proposed private retirement program.

About a year later, the Farm Credit Administration pointed out the administrative difficulties arising from split coverage of district employees. The Civil Service Commission then extended the benefits of the Retirement Act to employees of the Federal land banks and the banks for cooperatives, ruling that deductions for these employees would have to be made retroactively to date of the amendment.

Thus the record clearly shows that present civil service retirement coverage of farm credit bank employees was not at its inception attributable to any voluntary action on the part of the farm credit system, and that in fact the employees were blanketed under the Retirement Act at the very time a private retirement program was to be instituted in their behalf. Under these circumstances, it would be particularly unfair to change their retirement program in any way other than that proposed in the bill.

I wish that statement to be in the RECORD as a part of the history. We are confronted with a difficult situation today. Here was a Government agency which offered to set up its own retirement program. When these employees were blanketed in, the Civil Service Commission extended coverage to two additional agencies which had not been included; so all four of them were included. For that reason, I think it would be most unfair to those employees if we did not concur in the amendment of the House.

The distinguished chairman of the Committee on Post Office and Civil Service, Mr. JOHNSTON of South Carolina, placed in the RECORD—and I am glad he did—a letter from the Civil Service Commission, written to the chairman of the House Civil Service Committee, Mr. MURRAY, opposing this provision. Therefore, I think it is important that the RECORD show that while I approve the House amendment, which I hope will be concurred in, it does not set a precedent for the future transfer of agencies from the Federal Government.

Mr. HOLLAND. Mr. President, I express my appreciation to the Senator from South Carolina and the Senator from Kansas for their understanding attitude. I believe they would agree that no exactly comparable situation is likely to arise in the future. So we cannot create much of a precedent, because of the continuing relationship between the Federal Government and the entire Farm Credit Administration, and because of the past history, which has been so fully described by both Senators, who are interested in this subject.

Mr. WILLIAMS of Delaware rose.

Mr. HOLLAND. I shall be glad to yield in a few minutes to the Senator from Delaware, who is concerned about this situation.

First, I should have said earlier that it is now estimated that it will cost these 37 institutions \$48,000 in the first year, by reason of the excess of the actual going cost over the 6½ percent required of the Government as a contribution under the civil service law, which will mean that this part of the whole system will certainly be solvent. That amount may be increased in later years. That possibility is fully within the knowledge of the 37 companies concerned, and of the Farm Credit Administration itself. They accept that responsibility.

I am sure that it will not do the Senate any harm to realize that the civil service retirement program, which is a very important part of the Government program relating to its many employees, is not as soundly financed as it should be, in its average application. As one Senator, I assure my distinguished friends on the Post Office and Civil Service Committee that I shall be glad to support them and their committee in an effort to make the civil service program sounder in its general application.

I now yield to the Senator from Delaware [Mr. WILLIAMS], or I shall be glad to yield the floor, as the Senator may wish.

Mr. WILLIAMS of Delaware. Mr. President, I desire to be recognized in my own time.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. WILLIAMS of Delaware. Mr. President, I point out that should we adopt this amendment we shall be establishing an entirely new precedent. I agree with the Senator from Kansas that we may not want to do that, but we cannot escape the fact that when this provision becomes law we shall have established a precedent under which employees of a privately owned company

will be allowed to continue to qualify for civil service retirement benefits—a retirement system which was established solely for the benefit of employees of the U.S. Government. I do not think we can escape that fact. I am sure the Senator from Florida will agree that that is exactly what we are doing.

I now yield to the Senator from Florida, to see if there is any disagreement on that point.

Mr. HOLLAND. Mr. President, I certainly agree that these employees, by other provisions of the bill, are being designated as not under the Civil Service Commission, in that various acts, such as the Hatch Act and numerous others listed in our report, including a blanketing of other acts under general terminology, applying to civil service employees, are made inapplicable to them.

This is a part of the general effort to make these institutions as nearly grower- and user-owned and managed as possible. But we have the problem of doing equity to this limited group of employees now in the firms. All the others will be under the private retirement plan. We have the problem of protecting these firms against employees leaving wholesale in order to keep themselves under civil service, as they would have the right to do, of course, by going to some other governmental agency.

The two Senators who have commented on the subject have brought into the picture another real equity, in that these employees were apparently blanketed into the civil service, which fact was not known to the Senator from Florida until just now, notwithstanding the fact that the institutions, foreseeing what would happen in the future, preferred to set up a retirement program of their own, and were engaged in so doing when their employees were all blanketed into the civil service.

I now yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I thought I had the floor.

The PRESIDING OFFICER. The Senator from Delaware has the floor.

Mr. WILLIAMS of Delaware. Mr. President, I get back to my original statement. We cannot escape the fact that we are establishing a precedent. These companies were formerly agencies of the U.S. Government, owned by the U.S. Government, and operated as such. Therefore, the employees were properly classified as employees of the Government. The agencies, however, have been sold. The arrangements have already been made even though they may not be entirely paid for.

These agencies were sold, just as we sold the rubber plant, and just as we sold the inland waterways years ago. They were formerly owned by the Government. In those instances when we sold the property belonging to the Government, the employees working for the particular agency became employees of the private company which bought the property, just as these employees will be employees of this particular company. If they built up a retirement credit under the civil service retirement fund, they can retain it. That protection is afforded

all Government employees who leave Government service. But these employees are no longer working for the U.S. Government. They will no longer be subject to such restrictions as are provided in the Hatch Act, and so forth. They are not employees of the U.S. Government; yet we are conferring upon the private company to which we have sold these establishments the authority to continue some of their employees although they were Government employees so far as retirement benefits are concerned. This would be the first time in the history of the country that such a thing has been done.

It is a bad precedent and will prove very costly to the Government should it be adopted.

Mr. CASE of South Dakota. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CASE of South Dakota. If it is the first time, it clearly establishes a precedent. However, it occurs to me that in enacting much legislation we have recognized a principle of equity which has come to be described as "grandfather rights." The other day I heard a discussion of the veterans' benefits bill which has been proposed by the administration, I believe. It was pointed out in that connection that while it would change some things in the future, it would not disturb awards which had been made theretofore. Those who had received awards on some particular basis would be entitled to continue to receive the benefits.

We have recognized the so-called grandfather rights in connection with other forms of governmental activity. We do so in connection with the licensing of air lines, and in granting licenses to common carriers. In that respect, we would not be establishing an entirely new principle.

Mr. WILLIAMS of Delaware. The Senator from South Dakota is in error, because no matter what action we take, the rights of every one of these former employees of the Government are protected; they are in no way reduced. They are already taken care of under the law. For instance, if they have 15 years of credit under the civil-service retirement system, they can maintain full credit. No one is proposing to take any of it away. The Senator from South Dakota and I, as well as other employees of the Government today are building up retirement benefits. When we reach retirement age and have retired, we will be eligible for benefits based upon our period of service and our contribution to the fund. But when we leave the Government for private employment, we cannot continue to build up credit as if we were employed by the Government of the United States.

This bill gives to these private employers the right to make contractual arrangements with the Civil Service Commission to continue retirement benefits for their employees. Why?

For example, suppose one of these employees has already built up 25 years of credit as an employee of the U.S. Government. The retirement benefits are based on the highest 5-year average sal-

ary, and suppose his average salary was \$5,000 a year. Now, that employee gets employment for 5 years in this private company, and suppose he gets an increase to a \$10,000 salary. If he works 5 years at that salary with this private company, he can double his retirement benefits. The Government cost would be doubled if this bill passes.

This may be an extreme example, but it could happen. The retirement credits earned while an employee of the U.S. Government would be doubled in this case.

What is proposed here today is something which has never been done before. If we are not careful, we will break down the whole principle of the retirement system for employees of the U.S. Government. To my knowledge this is the first time it has ever been proposed that the Government extend the benefits of the civil service retirement system to employees other than those of agencies of the U.S. Government.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CARLSON. I would not in any way wish to challenge the statement made by the Senator from Delaware. I think he has made an accurate statement. But I desire the RECORD to show very definitely that this proposal applies only to employees who are now under the civil service program.

Mr. WILLIAMS of Delaware. That is correct.

Mr. CARLSON. From now on, the Farm Credit Administration must set up its own retirement program. So the proposal affects only employees who have been on the rolls and who were blanketed in in 1942.

Mr. WILLIAMS of Delaware. That is correct. But my position is that the Farm Credit Administration and other properties which have been sold by the Government and are now private organizations should establish their own retirement systems for the benefit of their employees. Then when those employees reach retirement age, they can claim retirement credit for the amount which they built up as employees of the U.S. Government plus any retirement credits they have built up in the private company.

The question we must decide today is, Shall we extend the right to retirement benefits to employees of establishments and businesses which were once owned by the U.S. Government but which have been sold to private companies? I should like to see the Government get out of those businesses.

Should we allow the employees of those companies and agencies to continue to be classified for retirement purposes as employees of the U.S. Government?

The Government during and after the war owned rubber plants. Naturally, those employees were working for agencies or plants owned by the U.S. Government. In the sale of such plants, should we continue to consider their employees as employees of the U.S. Government?

The Government owns the Alaska Railroad. No one advocates the Gov-

ernment ownership of railroads, but the Government must operate it because a buyer cannot be secured. But certainly if the time comes when it is possible for the Government to dispose of the Alaska Railroad should we allow the employees of that railroad to continue to be employees of the U.S. Government for retirement benefit purposes?

The question is not only, What shall we do about this situation? But, How shall we consider the employees of the numerous business establishments which were once owned and later sold by the Government? How shall we treat those employees who are no longer employees of the U.S. Government?

Mr. CASE of South Dakota. Does the Senator from Delaware regard the transfer of the ownership of the Farm Credit Administration as desirable?

Mr. WILLIAMS of Delaware. Yes; I questioned at the time the manner in which it was to be transferred. I did not think the Government was properly compensated for it, but that is a matter of opinion. That question has been decided by Congress in legislation previously enacted.

Mr. CASE of South Dakota. Does the Senator from Delaware think it was a desirable objective to have the Government get out of that business?

Mr. WILLIAMS of Delaware. Yes, I do, but I want the buyer to accept his responsibilities.

Mr. CASE of South Dakota. Does the Senator think the provision here proposed to recognize the continuing rights of the older employees facilitated the disposition of the Farm Credit Administration?

Mr. WILLIAMS of Delaware. I do not think it affected it at all.

Mr. CASE of South Dakota. I rather think it did. I think the attitude of some of the employees has been more friendly to the liquidation of the business by the Government since they felt that the security which was accorded them in their positions will not be jeopardized.

Mr. WILLIAMS of Delaware. That thought might have been in the minds of one or two employees, but I do not think it would have influenced the sale of these properties one single iota.

These properties during the course of their operation had built up several million dollars in surplus. I know that one agency had built up a \$180 million equity for the U.S. Government. When it was sold the Government gave away its rights to this surplus. I opposed this as a giveaway at the time. Whether the properties were sold too cheap or too high is a matter which has been decided by Congress. It is not in issue here.

The question now before us is, shall we allow an agency or a company which was once Government-owned and which has been sold by an act of Congress to permit its former employees to continue to secure benefits under the Civil Service Retirement Act, while working for this new privately owned company?

As the Senator from Kansas has pointed out, the bill affects only the employees having service prior to the sale.

It is proposed to allow them to continue to build up retirement credits under the civil service retirement system, a system which has heretofore been operated exclusively for the benefit of employees of the U.S. Government.

I do not think this is so much a question of the amount of money involved as it is a matter of principle and of what its effect will be on the retirement system tomorrow and in the days to come.

I am one who does not think the Government should socialize our economy. Are we to place the Government in the position where it cannot sell a business to private enterprise unless it continues the employees under the civil service retirement system?

Perhaps it was necessary for us to start the synthetic rubber plants and some of the other businesses in which the Government engaged during and after the war, but later I think it was proper that they be sold to private enterprise. If every time we sell such a business we are going to raise a question as to whether its employees should be continued on the civil service retirement rolls, we had better ask ourselves how far we are going. Shall we extend the principle to all other businesses and plants which the Government may hereafter sell?

I hope this is only the beginning of an effort by the U.S. Government to get out of businesses which should properly be privately operated. A moment ago I specifically mentioned the railroad in Alaska. I look forward to the day when the Government can dispose of that railroad as well as of many other businesses. But when the time comes to dispose of them, shall we say that those employees must be retained under the civil service retirement system and will be recognized as employees of the Government for retirement purposes?

I shall vote against this proposal.

Mr. JOHNSTON of South Carolina. Mr. President, there are two or three reasons why I agree to this proposal instead of object to it. It will be noted that the number of employees affected is between 1,500 and 1,600. That is all the bill amounts to.

Some of these persons have been in the Government service a long time and are probably within 1 year of their retirement. I doubt whether, from the standpoint of equity, it is right for the Government to change their status and the agreements with them, and to block them out when they are so close to the retirement stage at this time. That is one reason.

Another reason is that the proposal cannot in any way jeopardize or make the retirement fund any more insolvent than it is at present. In a way, the bill says to the Civil Service Commission, "We need to pay more funds, and we will pay more funds." We do not say that to the employees. That is another reason why we should agree to the measure.

This is not a situation which is like some other ones. Sixty percent of the civil service workers in the United States at present have been blanketed into the civil service, and have been given credit without 1 cent being paid by the Gov-

ernment or by the employee. They are men and women who were in the military service during the war. Such things will, I believe, call for some attention.

But the enactment of this bill will not make the retirement fund insolvent; instead, it will make the fund more solvent than ever.

Mr. HOLLAND. I thank the Senator from South Carolina, and I thank the Senator from Delaware.

In view of the caution the Senator has expressed I believe it very appropriate to remind him that in various respects the enactment of this bill would not establish a precedent which would operate in the case of the sale of a business and the outright severance of any connection with it.

We shall always have the Farm Credit Board, with 12 members appointed by the President and one member appointed by the Secretary of Agriculture; and up to the time when these institutions are fully paid out, we shall have a very special control. For instance, in the case of the Farm Credit Administration, a certain number of directors of institutions down the line are named by the Farm Credit Administration, as the Senator knows, so long as there is a continuing obligation to the U.S. Government; and other powers and other supervisory privileges and requirements exist in the case of the Federal agencies until the debts to the United States are finally paid off.

I remind my distinguished friend that only in the case of the land banks—but not in the case of either the regional banks for cooperatives or the Central Bank for Cooperatives, or the intermediate credit banks—have the obligations been paid off.

So there will be, for many years—and my present estimate is for 20 years or more, in the case of some of these institutions—special supervisory powers by the Federal Government, resulting from the fact that Federal funds are still invested in these institutions.

Therefore, Mr. President, I do not regard this measure as establishing a precedent in any sense. I am perfectly willing to join the Senator from Delaware in expressing very strongly the belief that we should not permit the enactment of this measure to be regarded as establishing a precedent, because this action is being taken, not at the request of the employees, but in the carrying out of a policy, adopted here in Congress—a policy which those employees could not have affected, either one way or the other—which will provide an opportunity for private enterprise to return again and to take the Government out of too important a place in connection with the management of these agricultural credit institutions.

I hope the Senate will concur. I believe this is the fairest arrangement that could be worked out.

I have already stated that I think the House amendment is preferable to the Senate bill, which was reported in the best of faith by the Senator from Delaware, myself, and the other Members. But I believe we overlooked one point—

although not a big one—which has been taken care of by means of the House amendment; and I am always glad to admit error when I find we have committed it. That is why I ask the Senate to concur in the House amendment.

Mr. President, I call for a vote on the question.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I ask unanimous consent that I may yield temporarily to the Senator from Arizona [Mr. GOLDWATER], without losing the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GOLDWATER. I thank my distinguished friend.

Mr. FULBRIGHT. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Arkansas will state it.

Mr. FULBRIGHT. Is the Senate still proceeding in the morning hour?

The PRESIDING OFFICER. Yes. Is there further morning business? If not, morning business is concluded.

Mr. JAVITS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from New York will state it.

Mr. JAVITS. Have I been recognized?

The PRESIDING OFFICER. The Senator from New York has been recognized.

Mr. JAVITS. I ask unanimous consent that at this time I may yield temporarily to the Senator from Arizona [Mr. GOLDWATER], and then to the Senator from Arkansas [Mr. FULBRIGHT], and thereafter to any other Senators who may seek recognition for the submission of morning business.

The PRESIDING OFFICER. Is there objection? The Chair hears none. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, at this time I yield to the Senator from Arizona.

WHO WILL REPLY TO PRESIDENT EISENHOWER'S BROADCAST ON THE LABOR BILL?

Mr. GOLDWATER. Mr. President, as my colleagues know, this evening the President of the United States will address the American people, on the television and the radio, and will urge them to support the efforts of the Members of the House of Representatives who want a really effective labor reform bill passed and enacted into law this year.

It has been suggested in the House of Representatives, by no less than my distinguished colleague, Representative UDALL, that Representative RAYBURN answer the President.

It has been suggested in this body by the Senator from Montana [Mr. MANS-

FIELD] that the Senator from Massachusetts [Mr. KENNEDY] answer the President.

Mr. President, if someone has to answer the President, I wish to suggest who should answer him. On yesterday I suggested that the distinguished Senator from Arkansas [Mr. McCLELLAN] answer the President because I think the Senator from Arkansas knows more about this matter than does any other Member of the Senate. I stated that if it is decided that someone should answer the President, the Senator from Arkansas should be the one to answer him.

However, at this time I should like to suggest someone whom the Senator from Massachusetts [Mr. KENNEDY] must agree should be the one to answer the President, if an answer is to be made. I suggest George Meany and his lawyers.

In that connection, I read a portion of a speech which the distinguished Senator from Massachusetts [Mr. KENNEDY] delivered not long ago in Oregon before the State of Oregon AFL-CIO:

Certainly I share their regret that the reasonable, fair, and responsible bill reported by the Senate Labor Committee, and worked out carefully with President Meany and his lawyers, and supported by the executive council, was altered undesirably and unfortunately altered on the floor of a supposedly friendly Senate.

So, Mr. President, finally we have, from the supposed architect of that supposed great bill, the admission that George Meany and his lawyers and the executive council of the AFL-CIO had a great deal to do with the writing of that bill.

Therefore, I suggest that Mr. Meany and his lawyers be asked to reply to the President, if we think the President should be replied to—although I do not think he should be. However, I have that offer to make.

ORDER OF BUSINESS

Mr. JOHNSON of Texas. Mr. President, will the Senator from New York yield to me?

Mr. JAVITS. I yield.

Mr. JOHNSON of Texas. I ask unanimous consent that the Senator from New York may yield, for the purpose of calling up, by unanimous consent, the conference report on the Atomic Energy Commission appropriation bill for 1960, with the understanding that when action on the conference report is concluded, the Senator from New York will hold the floor.

Mr. JAVITS. I thank the Senator from Texas.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, at this time I yield to the Senator from Arizona.

ATOMIC ENERGY COMMISSION APPROPRIATION BILL, 1960—CONFERENCE REPORT

Mr. HAYDEN. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two

Mr. KERR. Mr. President, I must not let this opportunity pass, after the nice things which have been said about me by distinguished Members of this body, without publicly acknowledging the deep personal gratitude I feel to the many Senators who participated in the development of the legislation for the Tennessee Valley Authority. I must place high on that list the distinguished Senator from South Dakota [Mr. CASE], who was a sponsor with me of the original bill, and who is the original author, with whom I am a cosponsor, of S. 2471.

The Senator from South Dakota very kindly said that without my efforts the bill would not have come to fruition. Mr. President, without the efforts of the Senator from South Dakota the bill never would have survived the many rugged experiences of the legislative hammering and compromise to which it was subjected.

The friends of the TVA in the valley were tremendously cooperative. The members of the committee on both sides, Democrats and Republicans alike, could be named individually. I would name one or two, but I must not do so because there are so many who worked hard and time does not permit the naming of all of them. All gave of their time, effort, and sincere devotion to the development of the legislation which has now been signed by the President, the last main objection to which will be removed when the House passes S. 2471.

Mr. JOHNSON of Texas. Mr. President, I yield back the remainder of my time, with the understanding that the minority leader will do likewise.

Mr. DIRKSEN. Mr. President, I yield back the time remaining to me.

The PRESIDING OFFICER. All time has been yielded back.

The question is on the engrossment and third reading of the bill.

The bill (S. 2471) was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 15d (a) of H.R. 3460, an Act to amend the Tennessee Valley Authority Act of 1933, as amended, and for other purposes, as passed by the House of Representatives on May 7, 1959, and the United States Senate on July 9, 1959, is hereby amended by deleting therefrom the following:

"Provided, That, with the budget estimates transmitted by the President to the Congress, the President shall transmit the power construction program of the Corporation as presented to him and recommended by the Corporation, together with any recommendation he may deem appropriate."

"Neither bond proceeds nor power revenues received by the Corporation shall be used to initiate the construction of new power producing projects (except for replacement purposes and except the first such project begun after the effective date of this section) until the construction program of the Corporation shall have been before Congress in session for ninety calendar days. In the absence of any modifying action by a concurrent resolution of the Congress within the ninety days, such projects will be deemed to have congressional approval."

Mr. HILL subsequently said: Mr. President, I ask unanimous consent to

have printed in the body of the RECORD immediately following the debate on Senate bill 2471, amending the Tennessee Valley Authority Act of 1933, as amended, excerpts from the report of the Senate Committee on Public Works. I call particular attention to the following language in the report of the committee:

It is the understanding of the committee that the proposed deletion of the language from H.R. 3460 will have no effect on the procedure of operation by the TVA; that revenue bond proceeds will be used under the same procedures as current revenues are now used; that such deletion does not alter the relationship between the TVA and the Bureau of the Budget as otherwise established by H.R. 3460; and will have no effect or deterrence on the issuance of bonds or on the remaining provisions of H.R. 3460.

I ask unanimous consent that extracts from the report may appear in the body of the RECORD.

There being no objection, the extract was ordered to be printed in the RECORD, as follows:

PURPOSE OF THE BILL

The purpose of S. 2471 is to delete certain language from H.R. 3460, an act to authorize the Tennessee Valley Authority to issue and sell revenue bonds to assist in financing needed additions to its power system; to provide for payments to the Treasury; to establish a geographic limitation on the area within which TVA power can be distributed; and including necessary administrative provisions in connection with the proposed bond issues. The language that would be deleted from the act is the proviso relating to the transmission of the power construction program of the Corporation to the Congress by the President with the budget estimates and with any recommendation he deems appropriate; the withholding of initiation of construction of new power-producing projects until the construction program of the Corporation has been before Congress in session for 90 calendar days; and the considered congressional approval of such projects in the absence of modifying action by concurrent resolution of Congress within the 90 days.

GENERAL STATEMENT

The provisions of H.R. 3460, as amended by the Committee on Public Works, are fully set forth in Senate Report 470, 86th Congress, 1st session, with a discussion of such provisions. The matter of revenue bond financing by the TVA has been under consideration by the committee for the past 5 years. The committee made an earnest endeavor to provide the Board of Directors of the Tennessee Valley Authority with a means to assist them in financing additions to power facilities required to meet the anticipated needs of the area, to make the Corporation self-supporting and self-financing, and, at the same time, preserving sufficient flexibility to permit them to conduct the power operations of the Corporation on a businesslike basis, unhampered by restrictions that would affect the marketability of the revenue bonds, or cause undue delay in their issuance or the prompt construction of power-producing projects. The act also included provisions for review of the power construction program of the Corporation by the President, transmission of the program to the Congress with his recommendations, consideration of the program by the Congress, and provision for modification by concurrent resolution if deemed advisable.

The President has indicated his reluctance to approve H.R. 3460 in its present form, objecting to language included in the act by the Senate which permits modification of the TVA power program by concurrent resolution. He considers this method of legis-

lation as usurping the powers of the executive branch, since such legislation would not be subject to his approval.

S. 2471 would meet the objections of the President by deleting from H.R. 3460 the following:

"Provided, That, with the budget estimates transmitted by the President to the Congress, the President shall transmit the power construction program of the Corporation as presented to him and recommended by the Corporation, together with any recommendation he may deem appropriate."

"Neither bond proceeds nor power revenues received by the Corporation shall be used to initiate the construction of new power-producing projects (except for replacement purposes and except the first such project begun after the effective date of this section) until the construction program of the Corporation shall have been before Congress in session for ninety calendar days. In the absence of any modifying action by a concurrent resolution of the Congress within the ninety days, such projects will be deemed to have congressional approval."

RECOMMENDATIONS

The committee believes that this bill removes certain restrictions from H.R. 3460, and also removes from that act provisions for congressional scrutiny and approval of the power construction program of TVA which the President himself did not have, thus maintaining the constitutional concept of power among the branches of the Government. It is the understanding of the committee that the proposed deletion of the language from H.R. 3460 will have no effect on the procedure of operation by the TVA; that revenue bond proceeds will be used under the same procedures as current revenues are now used; that such deletion does not alter the relationship between the TVA and the Bureau of the Budget as otherwise established by H.R. 3460; and will have no effect or deterrence on the issuance of bonds or on the remaining provisions of H.R. 3460. The committee further believes that H.R. 3460 is financially advantageous to the Federal Government; that it is essential to the future operations of the TVA; that deletion of the proposed language from the act preserves the separation of powers between the executive and legislative branches; and recommends enactment of S. 2471.

Mr. JOHNSON of Texas. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. DIRKSEN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT OF FEDERAL FARM LOAN ACT, RELATING TO TRANSFER OF RESPONSIBILITY FOR MAKING APPRAISALS

The Senate resumed the consideration of the motion of Mr. HOLLAND that the Senate concur in the amendment of the House in the nature of a substitute for S. 1512.

Mr. HOLLAND. Mr. President, I ask that the Senate take action upon my motion with regard to the House amendment to S. 1512, which is pending at the desk.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Florida that the Senate concur in the amendment of the House in the nature of a substitute for S. 1512. [Putting the question.]

Mr. DIRKSEN. Mr. President, Mr. President—

The PRESIDING OFFICER. The "ayes" have it, and the motion is agreed to.

Mr. MANSFIELD. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MANSFIELD. The Senator from Illinois was on his feet requesting recognition when the vote was taken.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. DIRKSEN. Mr. President, I wanted to observe that action on the House amendment to the conference report was held up for a time at my request. I had in mind checking with the Bureau of the Budget and also with the Civil Service Commission. I find in one case the bill was supported, and in the other case it was opposed because of the retirement provision.

I still believe that the kind of retirement provision provided for is faulty and bad. If we can apply this procedure to 1,500 or 1,600 persons who are on a private payroll—if they can be insinuated into or kept in the retirement system of the Federal Government—we can do it with regard to 100,000 persons. I am afraid the proposed action would establish a bad precedent. However, I am not insensible to the difficulties which confronted the committee in this matter, because it is very desirable to dispose of these institutions and to put them into private hands.

The question is how to do it without too much injustice to the personnel involved. It is one of those questions which requires the wisdom of a Solomon; but I have an idea that the case will rise up to haunt us.

Under the circumstances, the Budget Bureau having in the first instance approved, and the Civil Service Commission having opposed, I am left rather betwixt and between. Someday we shall have to come to grips with the residual question which will not have been solved by concurrence in the House amendment.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. DIRKSEN. I yield.

Mr. HOLLAND. I appreciate the statement of the Senator from Illinois. The delay in the proceedings was due to his request—which I was glad to grant—for time to confer with the Civil Service Commission. I want him to know that every Senator advocating the acceptance of the House amendment, and every Senator supporting the bill, has made it quite clear that this case is not considered as a precedent, for many reasons, but particularly because the Federal Government will have a continuing interest in and connection with each of these institutions. The fact of owing money to the Federal Government in the case of most of them will exist after the retirement date of the present employees.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Florida [Mr. HOLLAND]

that the Senate concur in the House amendment in the nature of a substitute for Senate bill 1512.

The motion was agreed to.

THE PROPOSED CONSTITUTIONAL AMENDMENT TO REPEAL POLL TAX

Mr. JOHNSON of Texas. Mr. President, I should like to ask the Senator from Florida [Mr. HOLLAND] a question.

As I understand, the Judiciary Committee has held hearings twice on the so-called constitutional amendment repealing the poll tax, and the hearings have been printed.

Mr. HOLLAND. The subcommittee of the Judiciary Committee headed by the late Senator Miller, of Idaho, later by the Senator from North Dakota [Mr. LANGER], and still later by the Senator from Tennessee [Mr. KEFAUVER], conducted hearings. Two of the hearings have been printed, and are available in the form of documents at this time.

The distinguished Senator from Tennessee [Mr. KEFAUVER] is present in the Chamber. He is one of the cosponsors of the resolution. I am sure he will recall having conducted hearings on this proposal.

Mr. KEFAUVER. Mr. President, the Senator is correct. There was a substantial hearing upon an identical resolution providing for a constitutional amendment.

Mr. HOLLAND. The resolution is identical.

Mr. KEFAUVER. Hearings were held in the last Congress, and perhaps in the Congress before that.

Mr. JOHNSON of Texas. As I understand, the hearings during the last session were printed.

Mr. KEFAUVER. My impression is that they were.

Mr. HOLLAND. They have been printed twice.

Mr. KEFAUVER. Mr. President, at the present time I am chairman of the Constitutional Amendments Subcommittee of the Committee on the Judiciary. If action is desired upon the resolution in this Congress, we can expedite further hearings and will do so if the chief sponsor of the amendment wishes that to be done.

Mr. JOHNSTON of South Carolina. Mr. President, I think that would be a matter for consideration and decision by the chairman of the Judiciary Committee, and not the chairman of the subcommittee.

Mr. JOHNSON of Texas. We are not asking for a decision of any kind. We are asking for information. The Senator from Florida stated to me in private conversation that hearings were held in the last Congress.

Mr. JOHNSTON of South Carolina. I think it would be a matter for the chairman of the Judiciary Committee.

Mr. JOHNSON of Texas. Certainly, the resolution would be referred to the Judiciary Committee; and I hope the committee will give it consideration at an early date.

Mr. KEFAUVER. Mr. President, I have no desire to interfere with the prerogatives of the chairman of the committee. I stated that, as chairman of the subcommittee, so far as I am concerned, I will do everything possible to expedite hearings on the resolution, if the members of the committee and the chief sponsor of the resolution wish that that be done.

Mr. HOLLAND. Mr. President, it is not my purpose at all to try to deprive the Committee on the Judiciary or its chairman, or any of its members, of any of their powers or prerogatives. I am too proud and happy over the assiduous attention which the committee has given to certain legislation ever to try to do so.

Mr. DIRKSEN. Mr. President, I have only one thing to add to the discussion of the proposal for the constitutional repeal of the poll tax provision as it applies to the election of Federal officers.

On three occasions I was a Member of the House when we undertook, by legislation, to effectuate this result, but the action was never consummated.

I recall many discussions with the late distinguished Senator Taft, of Ohio. It was always his contention that it had to be done by a constitutional amendment. I am confident that this resolution will receive appropriate and expeditious attention.

Mr. KEATING. Mr. President, I should like to add to what the distinguished majority leader has said that it is my personal opinion as a lawyer that the Federal Government could accomplish the desired result by a law, rather than by constitutional amendment. But certainly we should get on with the task.

I have been very happy to cosponsor the joint resolution, and I shall do everything in my power to urge that early hearings be held, and that the proposed constitutional amendment be reported from the committee at this session of the Congress.

RENTAL OF COTTON ACREAGE ALLOTMENTS

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 1455) to authorize the rental of cotton acreage allotments, which were, to strike out all after the enacting clause and insert:

That section 377 of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"SEC. 377. In any case in which, during any year beginning with 1956, the acreage planted to a commodity on any farm is less than the acreage allotment for such farm, the entire acreage allotment for such farm (excluding any allotment released from the farm or reapportioned to the farm and any allotment provided for the farm pursuant to subsection (f) (7) (A) of section 344) shall, except as provided herein, be considered for the purpose of establishing future State, county and farm acreage allotments to have been planted to such commodity in such year on such farm, but the 1956 acreage allotment of any commodity shall be regarded as planted under this section only if the owner or operator on such farm notified the county committee prior to the sixtieth

Public Law 86-168
86th Congress, S. 1512
August 18, 1959

AN ACT

73 STAT. 384.

To amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1959". Farm Credit Act of 1959.

TITLE I—FEDERAL LAND BANKS

SEC. 101. Section 3 of the Federal Farm Loan Act, as amended, is amended— Registrars,
appraisers,
examiners.

(a) by changing the paragraph thereof relating to the appointment of registrars, appraisers, and examiners (12 U.S.C. 656) to read:

"The Farm Credit Administration shall appoint a farm loan registrar for each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint as many farm credit appraisers and farm credit examiners as it shall deem necessary. Such farm loan registrars, deputy registrars, farm credit appraisers, and farm credit examiners shall have no connection with or interest in any institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages but they may perform such duties as are authorized by the Farm Credit Administration in connection with the business of the banks and associations it supervises: *Provided*, That this limitation shall not apply to persons employed by the Farm Credit Administration on a temporary basis."; Restriction.

(b) by deleting the paragraph thereof relating to the compensation of appraisers and inspectors (12 U.S.C. 658);

(c) by deleting the paragraph thereof relating to the employment of certain personnel by the Farm Credit Administration (12 U.S.C. 659); and

(d) by deleting the second sentence of the third paragraph from the end thereof (12 U.S.C. 662).

SEC. 102. (a) The second paragraph of section 9 of the Federal Farm Loan Act, as amended (12 U.S.C. 742), is amended to read:

"Any person desiring to secure a loan through a Federal land bank association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the Federal land bank association. Any such sum for the purchase of stock shall be made a part of the face amount of the loan and such sum shall for all purposes be additional to the 65 per centum of the normal value of the farm as specified in any provision of this Act." Loan for
stock pur-
chase.
Addition.

(b) Section 10 of the Federal Farm Loan Act, as amended (12 U.S.C. 751-757), is amended to read:

"SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Appraisal
reports.
12 USC 711-
723.

Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal, investigation, and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

Notification.

"(b) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

"(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.

Restriction.

"(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.

Studies.

"(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

"(f) Notwithstanding the foregoing provisions of this section—

"(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;

"(2) the Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and

"(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

"(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with

the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve."

SEC. 103. On the effective date of this title each land bank appraiser shall be transferred from the Farm Credit Administration to the Federal land bank served by him immediately prior to said effective date, without reduction in salary and accumulated leave, unless the Farm Credit Administration, in its discretion, determines that individual appraisers shall be retained as farm credit appraisers. The selection of personnel for transfer, or for retention as farm credit appraisers, shall be without regard to section 12 of the Veterans' Preference Act of 1944, as amended (5 U.S.C. 861). Land bank appraisers shall be subject to the same employment conditions as other bank employees after transfer under this section. At least sixty days prior to the effective date of this title the Farm Credit Administration shall notify each land bank appraiser that he is to be transferred to a Federal land bank or that he is to be retained in the Farm Credit Administration. Any land bank appraiser who notifies the Farm Credit Administration in writing at least thirty days before the effective date of this title that he does not desire to accept employment as stated in the notice from the Farm Credit Administration shall be separated from employment on said effective date and such separation shall be deemed involuntary.

Transfer of
appraisers.

58 Stat. 390.

SEC. 104. (a) Section 12 of the Federal Farm Loan Act, as amended (12 U.S.C. 771), is amended by (1) changing the last proviso of paragraph "Second" thereof to read: "*And provided further, That any land bank may make loans on an unamortized or partially amortized basis, under rules and regulations issued by the Farm Credit Administration.*"; (2) striking out of paragraph "Seventh" thereof "loans to any one borrower shall in no case exceed a maximum of \$200,000, but".

Amortized and
unamortized
loan.

Loan limit.

(b) Section 20 of the Federal Farm Loan Act, as amended, is amended by deleting the second sentence thereof (12 U.S.C. 861, second sentence) and by inserting the following immediately before the period at the end of the last sentence thereof (12 U.S.C. 864, last sentence): "except that, with the approval of the Farm Credit Administration, an issue of bonds may be limited to bearer or coupon bonds".

(c) The first and second sentences of section 23 of the Federal Farm Loan Act, as amended (12 U.S.C. 901), are amended by substituting "at the end of each fiscal year" for "semiannually" therein.

(d) The first and second sentences of section 24 of the Federal Farm Loan Act, as amended (12 U.S.C. 911), are amended by substituting "at the end of each fiscal year" for "semiannually" therein.

(e) The seventh paragraph of section 29 of the Federal Farm Loan Act, as amended (12 U.S.C. 967), is amended by changing "land bank appraiser" in the second and third sentences thereof to "farm credit appraiser".

50 Stat. 713.

(f) Section 202(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1033), is amended by changing the period at the end thereof to a comma and adding the following: "and any Federal intermediate credit bank may in its discretion purchase such loans or discounts with or without such endorsement."

42 Stat. 1455.

42 Stat. 1458.

(g) Section 208(c) of the Federal Farm Loan Act, as amended (12 U.S.C. 1093), is amended by changing "Land bank appraisers" in the first sentence thereof to "Farm credit appraisers".

(h) The Federal Farm Loan Act, as amended (12 U.S.C. 641 et seq.), and any other Act of Congress in which the words appear, are amended by changing "national farm loan association" and "national farm loan associations" to "Federal land bank association" and "Federal land bank associations", respectively.

(i) The Federal Farm Loan Act, as amended (12 U.S.C. 641 et seq.), and any other Act of Congress in which the words appear, are amended by changing "secretary-treasurer" and "secretary-treasurers", when used to mean the secretary-treasurer of a national farm loan association (herein renamed "Federal land bank association"), to "manager" and "managers", respectively.

Salaries.
67 Stat. 392.
12 USC 636d.

(j) The first sentence of section 5(d) of the Farm Credit Act of 1953 (12 U.S.C. 636(d)) is amended by inserting immediately before the period at the end thereof ": *Provided*, That the salary of not more than three positions of deputy governor shall each be fixed by the Board at a rate not exceeding \$17,500 per annum". -

Effective date. (k) This title shall become effective December 31, 1959.

TITLE II—STATUS OF FARM CREDIT BANKS AND EMPLOYEES

Increased borrower participation.

67 Stat. 390.
50 Stat. 706.

SEC. 201. Notwithstanding any other provision of law, and in order to encourage and facilitate increased borrower participation in the management and control of institutions operating under the supervision of the Farm Credit Administration in accordance with the policy declared in section 2 of the Farm Credit Act of 1953 (12 U.S.C., supp. IV, 636a), section 6 of the Farm Credit Act of 1937, as amended (12 U.S.C. 640l), is amended—

(a) by inserting "(a)" immediately following "Sec. 6.", by redesignating subsections "(a)" and "(b)" as paragraphs "(1)" and "(2)", respectively, and by deleting subsection "(c)";

(b) by adding the following at the end of paragraph (1) of subsection (a) thereof (as redesignated herein): "The employment, compensation, leave, retirement (except as provided in subsection (e) hereof), hours of duty, and all other conditions of employment of such joint officers and employees employed by the district farm credit board, and of separate officers and employees of the Federal land bank, Federal intermediate credit bank, and bank for cooperatives of the district employed by the board of directors of such banks, shall be determined by the respective boards without regard to the laws from which exemption is granted in this section, but all such determinations shall be consistent with the laws under which such banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The district farm credit board shall, under rules and regulations prescribed by the Farm Credit Administration, provide for veterans' preference and limitations against political activity for such officers and employees substantially similar to the preference and limitations to which such officers and employees were subject upon enactment of this sentence."; and

(c) by adding the following new subsections after subsection (a) thereof (as redesignated herein):

"(b) The provisions of section 1753 of the Revised Statutes (5 U.S.C. 631) and the Act of January 16, 1883, entitled 'An Act to reg-

ulate and improve the civil service of the United States', as amended (22 Stat. 403; 5 U.S.C. 632 et seq.), any laws supplementary thereto, including but not limited to the Act of August 24, 1912, as amended (5 U.S.C. 652), section 1 of the Act of November 26, 1940, as amended (5 U.S.C. 631a), and section 1310 of the Supplemental Appropriation Act, 1952, as amended (5 U.S.C. 43, note), and any rules, orders, or regulations promulgated for carrying such Acts or laws into effect, shall not apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(c) The Federal Employees' Compensation Act, as amended (5 U.S.C., ch. 15), shall not be applicable in respect to the injury, disability, or death of any employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives unless such injury, disability, or death (or cause thereof) occurred before January 1, 1960.

"(d) Section 9 of the Hatch Act, as amended (5 U.S.C. 118i), and the Veterans' Preference Act of 1944, as amended (5 U.S.C. 851-869), shall not be deemed to apply to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees.

"(e) Each officer and employee of a Federal land bank, Federal intermediate credit bank, or bank for cooperatives who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended (5 U.S.C., supp. IV, ch. 30), shall continue so during his continuance as an officer or employee of any such banks without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such banks after December 31, 1959, shall not be covered under the civil service retirement system by reason of such employment, except that (1) a person who, on December 31, 1959, is within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any such banks without break in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of such banks and, after a break in such employment, again becomes an officer or employee of any such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

"(f) Each Federal land bank, Federal intermediate credit bank, and bank for cooperatives shall contribute to the civil service retirement and disability fund, for each fiscal year after June 30, 1960, a sum as provided by section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C. 2254(a)), except that such sum shall be determined by applying to the total basic salaries (as defined in that Act) paid to the employees of said banks who are covered by that Act, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in such section 4(a). Each bank shall also

pay into the Treasury as miscellaneous receipts such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees.

“(g) Any Federal land bank, Federal intermediate credit bank, or bank for cooperatives may, subject to the approval of the Farm Credit Administration, establish a retirement system for its officers and employees either separately or jointly with any other corporation under the supervision of the Farm Credit Administration. In determining eligibility for or the amount of any benefit under any such retirement system, there shall not be taken into account any service which is creditable under the Civil Service Retirement Act, as amended, but service which constitutes employment as defined in section 210(a) of the Social Security Act, as amended (42 U.S.C., supp. IV, 410(a)), may be so taken into account notwithstanding section 115 of the Social Security Amendments of 1954 (42 U.S.C., supp. IV, 410, note) or any other provision of law.

“(n) Subsections (b), (c), (d), (e), (f), and (g) of this section shall apply to the Central Bank for Cooperatives and its personnel and the board of directors of the Central Bank for Cooperatives shall have all the authority and responsibility with respect to personnel of such central bank as is vested in the farm credit board of a district or the board of directors of a district bank for cooperatives with respect to personnel of any such district bank under subsection (a) (1) of this section.”

SEC. 202. (a) Section 210(a)(6)(B)(ii) of title II of the Social Security Act, as amended (42 U.S.C., supp. IV, 410(a)(6)(B)(ii)), and section 3121(b)(6)(B)(ii) of the Internal Revenue Code of 1954, as amended (26 U.S.C., supp. IV, 3121(b)(6)(B)(ii)), are each amended by inserting “a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives,” immediately before the words “a national farm loan association” therein.

(b) Section 2680 of title 28, United States Code, is amended by adding at the end thereof the following new subsection: “(n) Any claim arising from the activities of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives.”

(c) Section 102(b) of the Federal Employees Pay Act of 1945, as amended (5 U.S.C. 902(b)), is amended by striking out “and” immediately preceding “(6)” therein and by inserting before the period at the end thereof “; and (7) officers and employees of a Federal land bank, a Federal intermediate credit bank, or a bank for cooperatives”.

(d) Section 303 of the Government Employees’ Incentive Awards Act (5 U.S.C., supp. IV, 2122) is amended by inserting within the parentheses after the words “the Tennessee Valley Authority” the words “or the Central Bank for Cooperatives”.

(e) Section 205(e) of the Annual and Sick Leave Act of 1951, as added by section 4(b) of the Act of July 2, 1953 (5 U.S.C., supp. IV, 2064(e)), and section 1 of the Act of December 21, 1944, as amended by section 4(a) of the Act of July 2, 1953 (5 U.S.C., supp. IV, 61b), are each amended by substituting “(C), (H), or (I)” for “(C), or (H)” therein.

SEC. 203. (a) Nothing in this title shall be deemed to amend, alter, repeal, or restrict the application of (1) section 190 of the Revised Statutes (5 U.S.C. 99), relating to the prosecution of claims against the United States by former employees; (2) the Act of August 26, 1950 (5 U.S.C. 22-1, 22-2, 22-3), relating to the suspension and separation of employees for security reasons; (3) section 710(e) of the Defense Production Act of 1950, as amended (50 U.S.C., app., supp. IV, 2160(e)), relating to the authority of the President to provide

5 USC 2251 note.

60 Stat. 979;

72 Stat. 1035.

68 Stat. 1087.

70 Stat. 824.

59 Stat. 296.

68 Stat. 1113.

67 Stat. 138.

58 Stat. 845.

64 Stat. 476.

69 Stat. 583.

for an executive reserve training program; or (4) any Act of Congress the violation of which is punishable by a fine or imprisonment, or both.

(b) Any Act of Congress enacted after the effective date of this title and which states that it shall be applicable to agencies or instrumentalities of the United States or to corporations controlled or owned, in whole or in part, by the United States, or to officers and employees of the United States or such agencies or instrumentalities or corporations, shall not be applicable to a Federal land bank, Federal intermediate credit bank, or bank for cooperatives, or to its directors, officers, or employees unless such Act specifically so provides by naming such banks.

(c) This title shall become effective January 1, 1960.

Effective
date.

Approved August 18, 1959.

